CU Management

NOVEMBER 2017

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Meet Amy Downs, CCE
2017 CUES Exceptional Leader

Automated Collections
How CUs can use AI, texting to recover funds

Exit Interviews
Why you shouldn't dread them

CU Management

NOVEMBER 2017 vol. 40 issue 11

CUES is a Madison, Wis.-based, independent, not-for-profit, international membership association for credit union executives. Our mission is to educate and develop credit union CEOs, directors and future leaders.

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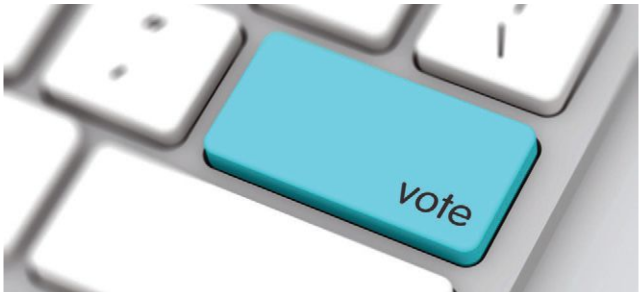

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More and More Mobile

This past weekend, I attended a large craft fair. I was happy to get a head start on holiday shopping and take care of several people on my list in one afternoon. While a craft show is a great forum for this—where else could I find fishing-related items for my husband, candles for teachers and hand-carved flowers for my mother-in-law?—it did pose one problem.

As I bought these items from different vendors based in far-flung states, my credit card company went on alert. It certainly looked like someone was having an online shopping spree with my card. I was glad to receive text alerts asking if I had indeed made each purchase.

I also love that my credit union texts me weekly balances or when my account is below a specified threshold. On the occasion when I missed paying my cable bill on time, I appreciated the text letting me know it was due so I could pay quickly and not incur further fines.

As we become accustomed to—and even look forward to—these text reminders, it seems that collecting by text is a natural next step. It can be embarrassing to miss a payment, whether it's because of a lack of organization (guilty!) or tight times that month. For some consumers, a text reminder can seem less intimidating and judge-y than a person on the phone. But credit unions need to be cautious of the legal limitations on collecting via cellphones. Read more on p. 26.

Mobile is also important for mortgage success. Rates are becoming less important than convenience. "Mortgages are transforming digitally as rapidly as everything else, and it's a shift in societal expectations," says Keith Kasmire, VP/sales for CUES Supplier member CU Members Mortgage (*cumembers.com*), Addison, Texas, in this month's cover story. "Moving to mobile means improving your entire mortgage process. Consumers not only want but expect a mobile app to make getting a mortgage easy." Read more, starting on p. 32.

Someday you may even be sending exit interview surveys via text message. Conducting the dreaded exit interview online "can increase the response rate ... and can enable you to more easily compile the data so you can identify trends over time, which then become actionable as opposed to being a mere collection of anecdotal notes," says HR consultant Adam Calli, SHRM-SCP, SPHR. On the other hand, face-to-face exit interviews provide "an opportunity to build a little bit more trust and to ask follow-up questions or dig a little deeper," says leadership consultant Laurie J. Maddalena, CPCC, PHR. However your CU chooses to conduct exit interviews, the most important part is to actually do them and to use the insights to make improvements for other employees. Read more on p. 38.

Finally this month, do not miss our profile on Amy Downs, CCE, the 2017 CUES Exceptional Leader. Her inspirational story begins on p. 30.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

Navigating Risk

Build a nimble but solid ship to carry your CU across the challenging waters of merger planning and execution to smooth operations once the surge recedes.

By Vincent Hui

You'll always miss 100 percent of the shots you don't take.

—Wayne Gretzky

Joining forces can be effective for credit unions that want to stay viable long term. To give a merger their best shot, leaders need to recognize and respond to the risks that arise from initial discussions through implementation.

Even before the executive team and board begin to consider potential merger partners, they should have a clear shared understanding of how this endeavor might fit into the overall strategy and what risks must be addressed to optimize outcomes. Of all the risks the National Credit Union Administration has identified as inherent in the mission to serve members' financial needs, two in particular come into focus in exploring whether a merger would support that mission: strategic risk and compliance risk.

In evaluating the strategic risk posed by a prospective merger, consider these questions: Can your credit union continue to compete as a stand-alone financial institution? How would you rate its competitive position in the field of membership it currently serves? To what degree is that existing market saturated? Is the credit union already serving its likely share of that market, or is there room to grow?

On another front, are there any critical products and services that your credit union needs to provide to compete effectively but can't do so cost effectively on its own? Do you have the resources to invest in any new technology needed to keep pace with the market and member expectations? Answering these questions aids in an objective assessment of the strategic challenges your credit union may face.

The burden of managing compliance risk can be daunting, especially for smaller CUs. Measuring the scope of the regulatory burden includes considering both employees whose jobs relate directly to regulatory issues and member-facing staff, such as mortgage officers and branch staff, whose responsibilities are made increasingly complex with added disclosure requirements. The burden of compliance is unlikely to lighten, with new regulations arising regularly on the federal and state levels. If the CU decides that the burden is too high and it cannot continue to meet member expectations, a merger needs to be a viable option.

According to NCUA statistics on why credit unions merge, many of the most-often cited reasons relate to strategic and compliance risks: a desire to grow membership and asset

size and expand the field of membership; the need to introduce new products and services to meet members' evolving expectations; and concerns about the rising costs of regulatory requirements.

The board and management need to carefully evaluate those two prime elements of risk and weigh the credit union's ability to meet those challenges on its own. If you conclude that those risks are too great, searching for a merger partner or partners may be a viable game plan.

Keeping Scale in Perspective

Life's greatest dangers are often found in apparently small risks.—James Lendall Basford

Besides addressing strategic and compliance risks, another common goal for a merger is pursuit of economy of scale. Scale addresses some aspects of the risks that turn credit unions toward consolidation in the first place, but it also creates new risks.

Gaining scale by itself is not a good enough reason for credit unions to merge, however; achieving economy of scale should be viewed as a means to an end. It might be for banks, with the aim of increasing return to shareholders. But credit unions have a different mission. Executives and directors should study and agree on how best to use the increased resources of the continuing credit union to further that mission after the merger.

Is the long-term vision to apply the cost savings and/or additional revenue to larger investments in the community or in member services? Has the board identified a need to "bank" those savings and grow capital or to reinvest those funds by expanding capabilities? The return on realizing economies of scale might be about the pace of progress: Maybe new services that were on the roadmap for two years out could instead be introduced next year.

Taking up these issues before the agreement is signed assures the leaders of the merging credit unions that their members' interests will be served by consolidation and provides a beacon to guide both organizations through implementation. Failure to explicitly address the issue of scale early on could have the effect of diminished results for the combined credit union.

Merger discussions can get emotional over questions about who will lead the continuing financial institution, how many directors the new board will have and how the legacies of the merging organizations will be recognized. These are important questions, but boards and management teams must not lose sight of the longer-term issue of how the credit union will operate once those pieces are in place. I've seen deals fall apart—luckily before they got to the altar—because the leaders of the two credit unions couldn't agree on how they were going to operate as a combined organization and where they were going to utilize the additional resources expected to result from the merger.

Integration and Execution Risks

Predicting rain doesn't count. Building arks does.—Warren Buffett

As implementation of the merger begins, the risk management focus shifts to integration and execution. Integration risk gets a lot of attention, rightfully so: How do you bring two organizations together culturally, operationally and technologically?

Two credit unions need to become one as quickly and efficiently as possible.

The second challenge, which could be referred to as operating model or execution risk, is equally crucial but may get short shrift. Once you've worked through all the major integration points, it's time to step back and consider: If your major goal was to expand your market or reduce compliance risk, have you accomplished that aim? Has your executive team and board reassessed the credit union's business model? For example, if a key objective of the merger was to dilute an overconcentration of indirect vehicle lending by expanding mortgage volume, what does your loan portfolio look like now, and do you know how to manage that diversification?

Everybody can be so focused on getting the deal done that addressing both the big picture and the details of operating as a combined credit union is not done so purposefully. Integrating staffs, systems and infrastructure is just the outer layer of the merger. You have to keep peeling the onion and asking: Is this working out for members as we expected it would? Post-integration execution is an aspect that can be overlooked or not undertaken with sufficient vigor. In the worst case, you end up with a lot of infighting among management or on the board about how to execute and where to spend the money gained from economies of scale.

Cornerstone is currently working on a couple of mergers in which the credit unions have complementary products and branch networks. Management teams are moving forward on plans to improve online banking and mobile access. These considerations are all good and necessary, but we are encouraging the merger partners to peel back the onion a bit more to consider: What's your business plan for the next three years?

The value proposition of the merger is different from the business plan underlying the merger. The value proposition is *what* you want to achieve to build value for members. The business plan and strategy are the *how*. Insufficient attention to the hows is the definition of execution risk.

With respect to Mr. Buffett, the ark of a merger is the conveyance that carries the continuing credit union across the high waters of implementation through the many details of integration. When those waters recede, how will your credit union operate, and how will you monitor outcomes to assess that the hows of the business plan deliver on the value proposition?

Driving Value, Managing Risk

Living at risk is jumping off the cliff and building your wings on the way down.—Ray Bradbury

Sci-fi writers may be able to leap before they look, but credit unions need to take more care in evaluating the risks inherent in mergers before committing to that course. As your leadership team evaluates merger opportunities, be sure that your planning incorporates the need to assess levels of integration and execution risk going forward. If you agree on a plan to manage those risks and enter a merger agreement, both credit unions need to put in place the planning, analysis, ownership and accountability to effectively manage those risks throughout the process.

The board has a responsibility to ensure that those risks are being addressed on a timely basis. One challenge is that, unlike public bank boards that have a more formal fiduciary responsibility, the duty of care is less explicit for credit union boards. Directors must rely on their internal governance frameworks and policies in finding the right balance between driving value and managing risk in merger discussions.

The level of risk varies based on the relative size of credit unions involved in the agreement. If a smaller credit union is merging with a financial cooperative 10 times its size, for example, the integration and execution risk profile will not be as great because the merging credit union will be adopting the continuing credit union's operating model.

On the other hand, in a merger of near-equals, where the size of the non-surviving credit union is at least 50 percent of the size of the surviving organization, the risks are greater. When a $500 million credit union is merging with a $1 billion credit union, the potential for operating model risks increases. For 12 to 18 months following the official merger date, the board and leadership of the continuing credit union must stay vigilant in managing execution of the agreed-upon operating model.

Vincent Hui *specializes in strategic planning and leads the Merger and Acquisition and Risk Management practices for Cornerstone Advisors, Scottsdale, Ariz.* (crnrstone.com).

1 CU, 2 Brands

A strategy credit unions may entertain in planning a merger is maintaining a separate name and brand identity of the merging credit union to recognize member loyalty to that brand, also called a network merger. While this may be a viable short-term strategy, down the road it could run counter to the objectives of the merger and increase execution risk.

A common aim of consolidation is to improve efficiency by combining back-office operations and achieving economies of scale. Over the long term, maintaining two brands may put the credit union at a competitive disadvantage, burdened by the additional marketing expenses for the second brand. In a worst-case scenario, the credit unions start expanding beyond having different marketing and brands into also having disparate risk management and operational approaches. The latter would dilute the controls necessary to effectively manage the combined credit union. Especially if that dilemma arises, the credit union must carefully weigh the risks and rewards of continuing that branding strategy.

More on Mergers, Risk and Growth

No Surprises (*cues.org/0317nosurprises*)

Mergers are Like Marriage (*cues.org/0516mergers*)

Lowering Merger Hurdles (*cues.org/0616lowering*)

CUES School of Enterprise Risk Management, Aug. 13-16, Denver (*cues.org/serm*)

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Prepared for the Ride

Graduates and faculty from the first CEO Institute in 1997 look back on two tumultuous decades.

By Karen Bankston

In the 20 years since the first executives to complete CUES' three-segment CEO Institute (*cues.org/institutes*) earned their Certified Chief Executive designations, credit unions have undergone a transformation wrought by financial calamity, fierce competition, burgeoning regulations and technological advances.

CUs have weathered economic crisis and adjusted to consolidations, observes Elizabeth (Beta) Mannix, Ph.D., Ann Whitney Olin Professor of Management at Cornell University and faculty with CEO Institute II (*cues.org/inst2*) since 1999. That means executives of continuing CUs must lead much larger financial institutions.

Many concerns participants raise in class discussions have stayed the same through the years, Mannix notes.

"There have been issues around capitalization requirements and the need for succession planning. The latest challenge is anticipating the demands of a new demographic that wants to do all their banking via apps—while still maintaining credit unions' focus on building relationships."

In their discussions, participants "are very willing to share ideas," she adds. "That openness demonstrates that these are people who really lead from their values."

'A View of the Wider World'

Created to develop executives' strategic leadership skills, the institute has maintained its core structure over the years even as the immediate quandaries facing CUs evolve, says CUES' Chief Learning Officer Christopher Stevenson, CIE.

"What we teach is not directly related to current topical challenges but rather how to predict and respond to current and future challenges and opportunities," Stevenson says. "Take payments as an example. Six years ago, there was no such thing as Apple Pay and Samsung Pay. Our focus is on how to identify and respond to these changes, bring your organization along and then identify the next challenge."

Looking back, Steve Weakley, CCD, CCE, president/CEO of Vons Credit Union (*vonsefcu.org*), El Monte, Calif., says the institute provided "a view of how credit unions relate to the wider world and a good overview of planning for all eventualities."

"We're here to serve our members, but we are also part of the larger financial world, and what happens with stocks and bonds and the overall economy directly affects us," he says. "Even though we operate as a not-for-profit financial institution, we also have to treat it like a business—because if we don't, we could be out of business."

Vons CU has grown from \$150 million to \$500 million over the last two decades. "We've had to learn how to run larger organizations, and the skill sets we can develop from a program like this helps us to do that," Weakley says.

Collaboration's Advantage

CEO Institute builds on a distinctive aspect of the movement that continues to offer a competitive advantage: its cooperative spirit, says Jeff Kline, CCE, CEO of Members Development Co., Madison, Wis., a credit union service organization (*membersdevelopment.com*) that focuses on growth engines for its 46 owner CUs.

"Even as credit unions have gotten bigger,

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their leaders still realize the need to collaborate," he says. "New fintech competitors may be responsible for some of that by forcing us to be more risk-oriented and share and spread risk across partnerships.

When Kline joined the institute's inaugural class, he was EVP/retail of Community America Credit Union, Lenexa, Kan., where he later served as CFO before becoming CEO of Members Development. The institute helped him prepare for a shift to being strategic all year long, he says.

Twenty years ago, strategic planning was something many CUs "did" in the fall; today, managing strategy happens all year, driven by more diverse competitors, delivery channel expansion and innovation.

Kline counts himself as "lucky to be among the first participants" in CEO Institute and says the connections he made through the program have endured.

CUs' cooperative spirit is evident in interactions among participants, Stevenson says. "At a similar program for executives in for-profit sectors, you'd see a lot of heads down taking notes and people asking guarded questions so as not to give away trade secrets," he says. "We have wide-open discussions about challenges and opportunities, group problem solving and participants seeking input from other executives."

Weathering the Storm

Tom Randle, CCE, was president/CEO of Sarasota (Fla.) Coastal Credit Union when he joined the first institute group. Nominated by petition for the CUES Board of Directors, he was elected and later served as chair.

In the first institute's sessions on scenario planning, one possible future was labeled "Armageddon," which might also describe the combination of forces behind the Great Recession that began a decade later. Loan losses from the mortgage crisis were concentrated in sand states, such as Florida, and Sarasota Coastal CU was not spared. Randle sought out a merger partner for the CU in its members' best interests. He recalls the 2009 merger and related interactions with regulators as "rougher even than serving in Vietnam." Based on those experiences, Randle wrote the book *Shouldering the Cost: One Credit Union CEO's Take on the Great Banking Collapse of 2008 (tinyurl.com/randlebook)*.

Randle and his wife moved to a mountain cottage in Georgia after the merger—"not an … examiner within 200 miles, and that was on purpose"—and he became active in his church, joined the Chamber of Commerce and Rotary and served as an advocate for neglected or abused children.

He also founded KES Group (*kesgroupllc.com*), Clayton, Ga., a business coaching and strategic planning consulting firm. "I still use principles even today from those institute sessions—key success factors, critical goal categories and scenario planning," he says.

Randle now describes himself as "a contented senior citizen, happily retired," though he still takes on occasional clients, including a recent strategic planning consultation with a fellow member of that first institute group.

Participants often form deep bonds that last for years. "One of the strengths of this program is building networks with colleagues over a three-year period," says Lou Centini, long-time faculty member at CEO Institute III at the Darden Executive Education at University of Virginia and CEO/founder of LJCentini & Associates, Charlottesville, Va. The same goes for instructors, who regularly meet institute alumni at other conferences and events like old friends.

"We hear from members all the time, who say, 'The classroom work was great, but the network I gained, you can't put a price on that,'" Stevenson says.

Embracing Change

In the marketplace, the advantage goes to organizations that recognize and respond to challenges and changes, from increasing competition to shifts in fields of membership to a persistent low-rate environment that has squeezed profitability, suggests Jim Austin of JH Austin Associates Inc. (*jh-austin.com*) and learning director with CEO Institute I (*cues.org/inst1*) at the Wharton School, University of Pennsylvania. "Credit unions need to embrace change more than ever before," he says, noting that the institute itself evolves in response to feedback.

In recent years, Stevenson has hosted regular phone conferences with learning directors of the three institutes, which has helped to facilitate a clearer progression, minimize content overlap and provide more continuity among the three segments.

"And within the Wharton fold [CEO Institute I], more tools are being

Story continues on page 17 …

Upside-Down Pyramid of Leadership Development

To get a sense of how CEO Institute is structured to cover the many aspects of CU leadership, CUES' Chief Learning Officer Christopher Stevenson, CIE, suggests picturing an upside-down pyramid:

CEO Institute I: *Strategic Planning* (*cues.org/inst1*), at the Wharton School, University of Pennsylvania (next session, April 8-13), offers the broadest content, covering scenario planning, environmental scans, SWOT analysis and other tools to guide strategic planning and enhance strategic leadership.

CEO Institute II: *Organizational Effectiveness* (*cues.org/inst2*), at Cornell University's Samuel Curtis Johnson School of Management (next session, April 29-May 4), narrows the focus somewhat to organizational effectiveness in a changing environment. "No matter how focused you are on strategy, if your organization isn't managed well, your strategy won't be implemented effectively," Stevenson notes.

CEO Institute III: *Strategic Leadership Development* (*cues.org/inst3*), at the Darden Executive Education, University of Virginia (next session, May 20-25), represents the point of the pyramid by delving into individual leadership and the impact executives have on organizational results.

By completing all three weeks of the institute and the two between-segment assignments that ask them to apply what they've learned to their CUs, executives earn the Certified Chief Executive designation.

The "CCE" behind their names signifies an ongoing commitment to professional development and achievement of a level of expertise recognized throughout the industry.

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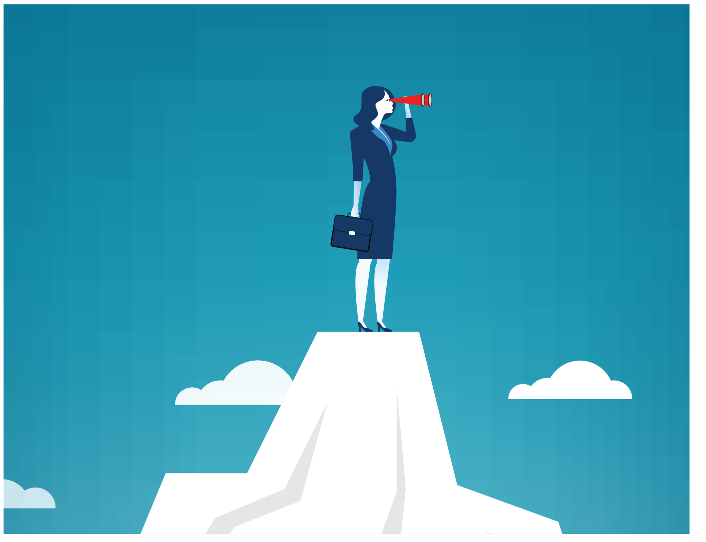

Vision 2020

Completing CEO Institute inspires more learning.

By Lorrie Candiotti, CCE

During the first day of CEO Institute III: *Strategic Leadership Development*, University of Virginia Darden Graduate School of Business Professor Alec Horniman posed a question that would resonate with me. That question was: "What's possible?"

During the week, Professor Horniman encouraged discussion about cases featuring ordinary people doing extraordinary things. It became clear to me that more than we realize can truly be possible.

Applying the Learning

All week I thought about how that key question relates to me. Unlike most of my colleagues in executive roles, I do not have a college degree. I began my career as a teller after graduating from high school to help my mom pay the bills. I had no aspiration at the time to become a C-level executive. My priorities over the next 20 years were to raise my daughter and focus on my career journey, not the destination.

In my early 20s, I applied for the management training program in my organization and was politely told that without a formal degree, I could not be considered. I never took "no" for an answer. Instead, I sought out other ways to prove I could do the job. For example, the management training program required entering an annual regional speech contest. I voluntarily entered and won, which caught the attention of senior management. My plan was to continue relying on will and resourcefulness—and it worked. By age 27, I was managing the main branch at headquarters.

None of what I have said here is meant to minimize the importance of a formal education. It's a foundation for future success. But with mentoring by a few great people, experience, resourcefulness and tenacity, I progressed in my career. After becoming a branch manager, I was never denied a job due a lack of a college degree at any organization. Some may believe I have just been lucky, but to me the definition of luck is "where opportunity meets preparation."

CEO Institutes I and II helped me apply the knowledge I gained during class in the workplace. For example, my two between-segments projects focused on developing a formal change management process for my CU and performing an audit of our strategic plan, including recommendations for enhancing the plan.

CEO Institute III made me realize that you are never too smart or too experienced to continue learning and strive to be the best leader (and person) you can be. The experience reinforced my belief that we can all make a difference.

Going Beyond

After racking up a lot of semester hours toward a bachelor's degree over the years, I recently enrolled and will earn my Bachelor's of Business Administration (with a concentration in human resource management) by 2020.

I am not pursuing a degree to impress a potential employer. Rather, I am taking ownership of something that is very personal and important to me. Although I know the lessons I learn in college will help me make important contributions, this is truly a personal mission. I mentioned not being too smart or too experienced to continue learning. I would like to add "or too old" to that list because I will be 60 when I earn that degree!

I would be remiss if I did not thank my CEO (CUES member Joe Mirachi, a strong advocate of continuous learning), who not only hired me for a key role at the CU with no college degree, but also afforded me the opportunity to attend CEO Institute. Joe and the institute are responsible for me being fully able to understand Professor Horniman's question, "What's possible?"

Lorrie Candiotti, CCE, *is SVP/chief operating officer at $797 million Launch Federal Credit Union (*launchfcu.com*), Merritt Island, Fla.*

More on Leadership

Know-It-Alls Not Needed at the Top, also by Candiotti (*cues.org/1116knowitalls)*

They Don't Take Leading Lightly (*cues.org/0717leading)*

How to Discern How You'll Best Learn (*cuinsight.com/5-questions-discern-youll-best-learn.html)*

Bringing Top Business Schools to You (*cues.org/080116skybox*)

CEO Institute (*cues.org/institutes*)

CEO Institute III August 2017

Alphabetical list of participants: Jim Adamczyk; Todd Aspell, CCE; Craig A. Booth; David Burnette; Lorrie Candiotti, CCE; LeVere Catlyn; Douglas Clinton; Mary Jane Coon, CCE; Tanya Cushing CSE, CCE; Tom Davis; Scott DeThomas; Tony Duncan, CCE; Andy Dunn, CCE; Brent Gifford; Fidel Gonzalez; Greg W. Hahr; Colleen Harmatiuk; Margaret Hasenbeck, CCE; Thomas Hast; Carol Hoem, CCE; Isaac Johnson; George P Kite III, CCE; Jeremiah Lounds; Rick Loyd, CCE; Amy Martel, CCE; Thom Meyer; Avo Mkhitaryan, CCE; Kristopher S. Morelli; Sonia I. Ordenes-White, CCE; Daniel Parsons; Craig Peters, CPA; Sean Ready; John Rivera, CCE; Mark Robnett; Adele Sandberg, CCE; Brent Schellenberg, CCE; Alvin Smith, CCE; Lisa Smith, CCE; John Snodgrass; Jacob Spurgeon; Kevin R. Strangman; Dona Svehla; Vanessa Trexel; Martina Valentine; Brian Vannoy; Rob Wheeler; Blair Wingert

"Prepared for the Ride," continued from page 14

introduced, particularly in terms of how credit unions think of key member segments, what's the value proposition to those segments, and how is that evolving," Austin says. "Scenario planning still plays a key role, but with a broader set of strategic perspectives that emphasize" member-centricity.

Since its inception, CEO Institute III has focused on personal leadership and leading strategic change, taught with the use of case studies, simulations, 360-degree feedback and experiential outdoor learning. "A lot of the attributes of what makes good leadership today aren't that much different than ... in 1997," says Centini, who with University of Virginia colleague Alec Horniman, has served as faculty from the first institute.

At the same time, "new people, new materials and new case studies" keep the content current and relevant, he adds. "So much of it (the way the program is delivered) is in the dialogues between faculty and participants and among participants."

Over the years, Centini has seen more diversity in institute cohorts, including executives who joined CUs from banks or other business sectors and "aspiring CEOs"—executive vice presidents and other executives looking to develop their leadership as part of succession planning.

From Classroom to C-Suite

Weakley came to Vons CU from his position of controller of the Vons Grocery Co. Having previously earned his MBA, he says he appreciated both the emphasis of CEO Institute on CUs' member-driven focus and the opportunity "to get back in the classroom again, especially at three different universities with high academic standards."

Vons CU also sent its COO through the program about a decade ago, and Weakley earned the Credit Union Certified Director designation by attending what's now CUES' Governance Leadership Institute (*cues.org/gli*). As a CEO who serves on his CU's board, he says that program "broadened my perspective."

Recalling his time with the inaugural CEO Institute class, Weakley says with a laugh, "We really had a good time. In some ways, CUES was putting the program together as we went through it. They modified some things for later years."

Mannix has appreciated reviewing between-segments projects. These might involve overseeing the development of a new app, opening a branch, creating a succession plan or completing a merger.

"Many of the ideas we've talked about at the institute come to life," she says. "It's exciting to see participants ... bringing it all together as a collaborative endeavor."

Many of Centini's enduring memories involving CEO Institute III come from the ropes-style experiential learning sessions. High in a forest canopy, participants accomplish feats they didn't think possible as their colleagues cheer them on. In Friday wrap-up sessions, many recall the day in the woods. "Some are even moved to tears, because it gets personal," he says.

"Credit union leaders have a lot more on their plates today," Centini notes. "At the same time, we go back to one constant—a deep commitment to the credit union movement and everything it stands for."

Karen Bankston *is a long-time contributor to* Credit Union Management *and writes about credit unions, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose, Eugene, Ore.*

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The Big Purchase Decision

For best results, the board needs to set direction and ask staff how proposed technology aligns with strategic goals.

By Charlene Komar Storey

It happens over and over again at board meetings—in all types of credit unions, in all kinds of locations.

The staff members start explaining the benefits of a rather large technological purchase they're proposing. But not long after their greeting, they slip into a language that few of the directors find familiar. Sure, they might pick up a word here and there, but not nearly enough to fully grasp the staff's arguments and to make a competent decision based on them.

Asking for explanations helps a little, but so much needs to be explained that it can seem hopeless. And too many directors are faced with trying to decide if the purchase recommendations are a good fit for the credit union without having a solid understanding of the topic.

Of course, some directors will follow the conversation easily, and they can help their fellow board members. But each and every director is responsible for casting an intelligent vote, and there are ways that even non-tech-savvy board members can do so.

Provide Guidelines

The easiest way is to do what directors should do about nearly everything: Plan ahead. What's more, the board must ask credit union staff to present its plans in terms beyond mere technological details. Experts have a number of concrete suggestions for both boards and management to consider.

"To help management provide the board with the information it needs to make a decision, the board needs to provide direction on what it's looking for," says Jim Benlein, CISA, CISM, CRISC, principal at KGS Consulting (*kgs-consulting.com*), Silverdale, Wash. It can do this with a policy outlining, "If you come to us for an approval, here's what we need to see."

Within the policy, some items to include are:

1) Requests should show how the purchase aligns and supports the credit union's strategic direction and objectives. "Isn't this cool!" is not a good reason for a technology purchase.

2) What are the risks? Management should be able to say what the risks are to do this, and what risks are there if the credit union doesn't. And, Benlein stresses, risk information needs to be in "business," not "technology," terms and perspectives.

3) What are the costs? Not just for the purchase, but for the long term. What will it cost each year the technology is in use? If the credit union needs to retire or replace it, how much will that cost?

The board can reach one of three conclusions, Benlein says: This is great for the credit union, this is good for the credit union, or this is not something we see us doing.

Connect IT to Strategy

Lee Wetherington, director of strategic insight for ProfitStars (*profitstars.com*), a division of Jack Henry & Associates, Monett, Mo., says he spends a lot of time in board rooms of credit unions, helping them determine what criteria they should be using. The key, he says, is how technological changes fit into short-, medium- and long-term strategic planning.

The first question directors should ask of staff, Wetherington says, is the reason for doing something. Then comes cost and finally return on investment.

"The question that should be answered by the people doing the pitching is why instead of how," Wetherington says. "How it works is important only in terms of how it moves the credit union toward its strategic goals."

Then they need to explain just how this technology does that.

"Definitely, the board should be tying its decision to benefits to the credit union," says Sabeh F. Samaha, president/CEO of Samaha & Associates (*ssamaha.com*), Chino Hills, Calif. "I feel there should be a very structured approach to this."

Samaha & Associates believes in a scorecard process, rating such elements as tactics, security, IT, functionality and industry strategic alliances. Then it adds in price and a section on strategic goals.

"This is the place where the board could get involved" if it chooses to do so, Samaha says. It could review the scores and then give its approval, or not.

Most experts agree that it's not the board's role to get into the weeds.

"It's a fine line on responsibilities at that level," Samaha observes. "You don't want a board that's completely disconnected, and you don't want a board running IT.

"If the board wants to participate, then they need to understand the needs technology is fulfilling at their credit union. Technology is highly practical. These are engines that enable the credit union to be more competitive."

A Structured Approach

Samaha believes in a hierarchy: a strategic plan that leads to a business plan that leads to a technology plan, which should be run by a technology committee. He sees directors involved in the technology committee only in certain circumstances.

"The CEO and the technology committee should be able to do the heavy lifting," Samaha says.

If a board is particularly weak in understanding technology and wants more specialized details, Michael Daigneault, CCD, founder of Quantum Governance (*quantumgovernance.net*), a CUES strategic provider based in Vienna, Va., suggests that it should ask its staff for a series of conversations. "Doing it all in one fell swoop would be overwhelming to most boards," he says.

These conversations could take place at board and committee meetings, at retreats, or on similar occasions. "Then and only then would I present the purchase decision to the board," Daigneault says.

Another alternative, he suggests, would be putting together a mini-task force when a major purchase is being proposed. That might comprise two or three directors, staff members and perhaps an outside consultant.

Such a consultant could serve as an objective third party, he says. It should not be someone selling the technology. The consultant's role wouldn't be to decide for the board, but rather to help the board to ask the right questions.

"Management's role is not to dumb it down," Daigneault says. "Its role is to make it clear. 'These are the needs this will meet, that we're not meeting, or need to meet better.' The staff should articulate the downside of the current system."

An uncertain board can take advantage of being part of a cooperative industry. Get the names of three credit unions that have installed the proposed system in the last three months, Daigneault suggests, and make board-to-board contacts. Then ask questions, such as if that credit union were to do it again, what would be done differently, or whether your credit union should look at a longer transformational period.

Tech Investment ROI and Risk

While boards typically take a close look at the price tag on new technology, many neglect accurately calculating return on investment, says Lee Wetherington, director of strategic insight for ProfitStars (*profitstars.com*), a division of Jack Henry & Associates, Monett, Mo.

The reason is today's increasingly complex innovation ecosystem and its effects on figuring out your chance of success.

"The more complex the environment of your partners, the more partners you have, the more difficult it is to successfully roll out a new product or service," Wetherington explains. "Say you're integrating a new fintech product, and now you're going to have four partners instead of three. You have to manage the probability of success."

Say your goal is 85 percent confidence that you can deploy a new collective iteration of a mobile banking system that includes the four partners on time and on budget. What are the odds of success? That's a more complicated calculation than you may think.

"To get to a collective chance for success, you have to multiply 85 percent x 85 percent x 85 percent x 85 percent," he says. That comes out to 52 percent—not an 85 percent simple average of the four individual factors.

And there's more potential uncertainty. The fourth fintech product—a very impressive one—may be coming from a very different supplier than something the credit union purchased not so many years ago. "The product may be produced by some guy in a garage in Palo Alto, a millennial who doesn't want to talk on the phone," Wetherington says. "So you have maybe 2 percent confidence and no history. So now you have overall 2 percent—not 85 percent minus 2 percent, or some other final figure.

"The whole business of innovation has changed materially," Wetherington says. That means credit unions must both manage co-innovation risk and adoption risk, and boards should expect management to present these risks to them.

A Matter of Trust

Boards have to resist being mesmerized by the newest and fanciest technology, says Wetherington. Directors who have attended a conference or read about the latest and greatest may not be considering whether it's something their credit union really needs at this point in time, or indeed, at all, he says.

"You can get enthralled by new, shiny technology," Wetherington warns. "There has to be some need. If you're chasing something much too early, it can be disastrous."

But on the whole, the board simply needs to rely on its IT department.

"It's a matter of trust between the board and management," Benlein says. "You hire IT people with the technical knowledge of what you need to do, and trust them to do the right things."

It's easiest to trust the staff when it focuses information in a way that allows directors to, correctly, look at the big picture.

For example, he says, a CU's IT people should know how a firewall or an anti-virus works, while the board should simply be sure that it better protects the credit union.

He compares it to buying a new vehicle. "You don't need to understand the technical details behind lane departure or blind-side warning devices to understand their costs and benefits to you."

Charlene Komar Storey *is a veteran credit union writer based in New Jersey*.

More on Tech and Strategy

Tech Check: How much do directors need to know about IT to do their jobs effectively? (*cues.org/1014tech*)

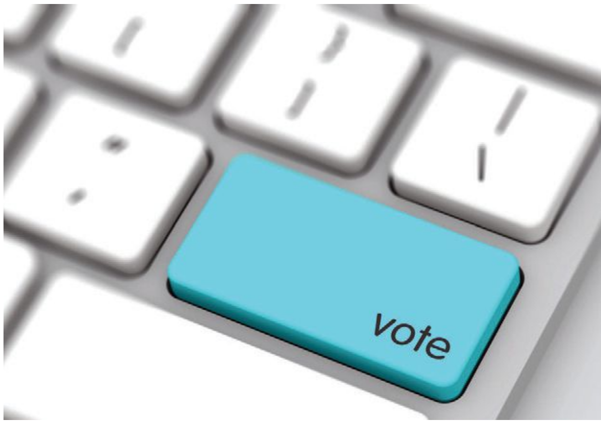
Talking Tech With Your Board (*cues.org/skyboxtalkingtech*)

What a Good CIO Might Say in a Board Security Briefing, free for Center for Credit Union Board Excellence members who log in (*cues.org/ccubebdsecbrief*)

Center for Credit Union Board Excellence 30-day free trial (*cues@cues.org*)

Strategic technology services (*cues.org/cornerstone*)

CUES Director Strategy Seminar, July 25-27, San Diego (*cues.org/dss*)



Get Out the eVote

Three credit unions describe how they use electronic balloting to improve their board election processes.

By Diane Franklin

For credit unions seeking to make their board elections more efficient, cost-effective and convenient, adding an electronic voting option likely makes good sense.

E-voting can help CUs increase participation in elections by improving voting access for geographically remote or time-constrained members. The technological efficiencies also can cut down significantly on staff time while allowing CUs to eliminate the problem of invalid ballots. And evoting can help a CU elect board members who are more representative of an expanding membership.

The following case histories detail benefits three CUs have gotten through implementation of CUES' electronic voting offering, eVote: Elect and Educate (*cues.org/evote*).

Geographic Representation

Since the 2008 introduction of electronic voting at $3.25 billion Veridian Credit Union (*veridiancu.org*), member participation in the annual election has increased about six-fold over elections in which only paper ballots were available. However, Brett Engstrom, VP/information technology, says that increased voting was not the primary reason that the Waterloo, Iowa-based CU opted to implement the technology.

"What drove it more for us is that we were expanding geographically, and we wanted our board to reflect the membership we served," Engstrom says. "When I first started here, almost 20 years ago, we were located in a fairly tight geographic area encompassing 14 counties. At the time, it was reasonable to expect everyone who wanted to vote in our board elections to come to our annual meeting."

Such expectations changed over the next two decades, as Veridian CU's field of membership grew to encompass all 99 counties in Iowa and six counties in Nebraska. To accommodate members farthest from headquarters, it initially rented facilities so that its annual meeting could be multicast to all regions served.

"After making that investment, we'd have something like five to seven members show up in Des Moines," Engstrom says. "It was not a cost-effective solution, and we did not get the voter turnout we were hoping for. That's when we started looking seriously at whether online voting could help us, and fortunately it has."

Today, a third of Veridian CU's 15 board members are from the CU's newer FOM regions. "Our board of directors is a more accurate representation of our membership, and I would attribute that almost completely to the fact that members are able to vote online," says Engstrom. "Candidates can campaign and get people in their area to vote without expecting them to travel to Waterloo to cast a paper ballot."

While increased voter participation among Veridian CU's 210,000 members was not the driving rationale for electronic voting, the upward trajectory has been encouraging nonetheless. Before using eVote, the CU would typically receive between 200 and 275 paper ballots.

"In 2008, our first year with eVote, we had 713 online votes and 74 paper votes for a total of 787," Engstrom reports. "So, even in our first year, we saw an immediate shift from paper ballots to e-votes as well as a higher vote total overall."

In 2017, Veridian CU had its best vote totals yet, with 1,614 electronic votes and 51 paper ballots for a total of 1,665. "We're seeing more e-votes even among those who come to our in-person annual meeting," Engstrom says. "Many of them choose to vote online because it's easier and more convenient. It's something they can do from the comfort of their homes."

Veridian CU board member Ginger Shirley, a CUES Director member who chairs the nominating committee, applauds the use of e-voting to increase participation. "The democratic election of a volunteer board is fundamental to the credit union difference, and eVote has made it easier for Veridian members," she says.

Engstrom says Veridian CU's promotion of the e-voting option was more prominent this year, which helped drive its record numbers. The CU also helps boost participation through email blasts, conducted through CUES, with reminders sent out to those who had yet to cast their ballots.

"The voter turnout rate is largely based on how much the individual credit union wants to invest in it," Engstrom says. "If you have e-voting as your main banner message on your website for a month, you're going to get a lot more participation than if it's buried somewhere. Your success will depend upon how much you market it and how prominent you make it."

More Efficient Voting

Electronic voting has improved the election process for $4.5 billion Bank-Fund Staff Federal Credit Union (*bfsfcu.org*) in several ways.

"It has made the voting process more efficient, given our members more voting options, and increased participation," says Stephanie Day, chief operating officer for the Washington, D.C.-based CU with worldwide membership of 85,000 members. "It's become a fairly easy turnkey process for us."

Since giving its members the e-option in 2007, Bank-Fund Staff FCU has continued

Contact:
800.782.9042, Option 2
MemberServices@co-opfs.org

Founded: 1981
Headquarters: Rancho Cucamonga, Calif.
Member since: 2006
Website: co-opfs.org
Twitter: @COOPFS

CO-OP is a payments and financial technology company, owned by its members and dedicated to helping its members attain and retain top of wallet. Its broad portfolio of payments solutions, networks and member service capabilities, supported by comprehensive growth and retention services, provides the seamless member experience and relentless security required to grow in today's payments-driven financial services market.

to send paper ballots to all of its members. Electronic voting is particularly convenient for the 20 percent of the CU's members who are outside of the United States; the overseas ballots can be received more efficiently online than via international mail.

Paper ballots are accompanied by a cover letter, which gives members instructions on how to vote electronically. Bank-Fund Staff FCU also notifies members of the electronic voting option via email and on its website.

The CU's field of membership encompasses those who work within or have retired from the World Bank Group, the International Monetary Fund, the World Bank Children's Center and the Bretton Woods Recreation Center.

"A lot of credit union elections are pro forma, but ours is not," says Day. "There's a lot of member involvement. The positions on our board are highly sought after. In the most recent election, we had 35 candidates for three seats."

In its most recent election, Bank-Fund Staff FCU averaged approximately 5,100 votes, with more than 45 percent being cast electronically. Prior to implementing electronic voting a decade ago, elections typically garnered a total of 2,500 votes.

Another improvement that the CU has experienced is a dramatic reduction in invalid paper ballots. "Invalid ballots were occurring either because members didn't put in their correct member number or birthday or because they didn't sign the ballot," Day reports. "We worked with CUES on a solution," with the end result being a unique random ID number on each ballot to identify the member.

As a result, the invalid rate dropped from in excess of 20 percent to 1.45 percent. "There were only 71 invalid ballots in 2017, due to either a missing signature or the member voting for too many people," Day reports.

Members voting online get an error message if they enter the wrong member number or neglect to enter their birthday. These identity verification requirements are used in lieu of an electronic signature; members also have to click a submit button affirming their choices and get a receipt.

Bank-Fund Staff FCU now has set its sights on reducing the cost of its elections by reducing the number of paper ballots mailed out each year. A significant portion of the $100,000 spent on the election each year goes toward postage. The cost is especially high for overseas ballots, which are sent by international priority mail.

For 2018, the CU anticipates eliminating mailing paper ballots to the 50,000 members who are e-statement subscribers. The rationale is that these members would be more receptive to the elimination of the paper voting option.

Day acknowledges that there are some members who prefer voting by paper ballot. For that reason, Bank-Fund Staff FCU will continue offering members this option—at least for the foreseeable future.

> "A lot of credit union elections are pro forma, but ours is not."
>
> Stephanie Day

Positive Feedback

East Coast Credit Union (*eastcoastcu.ca*) in Dartmouth, Nova Scotia, used eVote for the first time this year and has already received positive feedback from its members.

"We had members tell us it was easy to use, very convenient, and it was nice to have that option," says CUES member Caroline Dickie, executive assistant to CEO Ken Shea, a CUES member, at the $680 million CU.

Before implementation of electronic voting, the only option for East Coast CU's 41,000 members was to vote in person at one of its 20 branches, open a variety of hours between 8:30 a.m. and 6 p.m., Monday through Friday, with one branch offering evening hours on Fridays (until 8 p.m.) and two other branches offering Saturday hours from 10 a.m. to 1 p.m.

"It's a great option for our members to be able to vote at their own convenience and not be restricted to the hours we are open," Dickie says. "We also have a lot of members whom we never see in a branch because they only do online banking. Many of them have left the province for work or school. That is another appeal of electronic voting—to help those members still feel a connection to their credit union."

In this transitional year, East Coast CU had slightly fewer votes for its board election than last year. "However, we still had more e-votes than paper ballots,"she says.

To get the word out about the e-voting option this year, the CU posted information in the branches as well as on its website and through social media. "We didn't send out emails, but we did send messages through the online banking system," Dickie reports.

Next year, East Coast CU will expand some of those promotional efforts with the goal of encouraging more members to vote. "Some of the things we are considering are buttons, stickers and contests—possibly giving members who vote the opportunity to participate in a drawing," Dickie says. "We're also considering creating a business card that our staff can hand to members as a physical reminder for them to e-vote."

The CU is looking at implementing some new procedures to increase efficiency next year, including expansion of electronic voting to the in-branch environment. "We felt that our in-branch paper voting process was too cumbersome and took up too much staff time," says Dickie. "Our goal is to eliminate paper voting entirely and have members who come into a branch use an iPad or computer to vote electronically. This will eliminate the need to track votes and ensure there are no duplicates between the paper ballots and electronic voting."

East Coast CU Chair Mary Oxner, whose board is a member of the Center for Credit Union Board Excellence (*cues.org/ccube*), sees electronic voting as a way to meet the increased expectations of members in this technology-driven world.

"Providing members with access to e-voting allowed for members distributed by geography, accessibility and interests to exercise their right to vote for representatives on their board of directors," she says. "We were delighted to be the first credit union in our region to offer e-voting to our members."

Diane Franklin *is a freelance writer based in Missouri.*

More on Electronic Voting

What Makes Members Click and Vote? (*cues.org/0716vote*)

Spotlight on Electronic Voting Security (*cues.org/101716skybox*)

Voting for Organizational Change (*cues.org/110716skybox*)

Wow! A Great Board (*cues.org/0117greatboard*)

CUES eVote: Elect and Educate (*cues.org/evote*) fiserv.

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Headquarters: Brookfield, Wis.
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Collections Tech

CUs are embracing AI, two-way texting and do-it-yourself extensions for collections while avoiding consumer protection violations and predatory lawyers.

By Richard H. Gamble

After the Great Recession washed out a lot of weak loans and caused credit unions to tighten credit standards, collections went on a back burner. Now it's getting management attention again and a mandate to automate for efficiency and avoid anything that might lead to litigation.

So says Rob Fite, vice president of Telrock Systems (*telrock.com*), Atlanta, a collections technology provider. The goal is efficiency, and results are typically gauged by increased dollars collected and fewer operational dollars spent, he reports. If one fewer agent is required to handle current volume or if an agent is not added to handle increased collection volume, that could save $35,000 to $40,000 a year, he notes. For messaging, a collections letter costs anywhere from 50 cents to $1, while the cost of a text message or email is pennies, he adds.

When you're trying to get your money's worth, metrics matter. The primary metrics, explains Steve Balmer, VP/fraud, collection and disputes at CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Fla., are the percentage of calls that reach the right party and the percentage of calls that result in payments.

Fite touts what today's systems can deliver. "Today's collections demand greater automation, control, transparency, compliance and streamlined processes," he observes. "The goal is to make collections staff more productive by automating the more mundane manual tasks, freeing up the more skilled and seasoned staff to focus on specialized collections activities," which can include resolving collateral disputes and fraud claims.

According to Fite, successful collections platforms must get in step with consumers who love their smartphones and texting. In fact, 97 percent of smartphone users prefer text communication, according to Pew Research (*pewresearch.org*). This means an embedded digital channel with text messaging integrated with a self-serve portal that features chat. "Postal mail and phone calls are on their way out," he says.

Texting should be two-way, Fite adds. For example, new collections platforms can automatically text a member at five days past due; the member can text back for assistance. The system's artificial intelligence can automatically recognize the member's response and send an appropriate reply. That reply can include a link to the CU's payment portal to make a payment or negotiate a payment plan, he explains.

"The member may think he or she is communicating with a live agent, or they may be aware that the conversation is automated but not care as long as the process is clear and efficient," Fite notes.

Regulatory Minefield

While technology is bringing efficiency to collections, regulation is having the opposite effect, says Wendy Elieff, SVP/business development and client service at CU Recovery Inc. (*curecovery.com*), a collection agency based in Wyoming, Minn.

"Technology works best where the rules are settled, and that's not the case with collections," she says. "There are rules about how you can and can't contact a delinquent borrower over their cell phone or with text messages or using automatic dialers, and what's approved one day may be disapproved the next. Your process is only as good as the next legal precedent."

Collections technology must deliver efficiency and air-tight compliance with consumer protection regulations, making cell phones and texting both a big opportunity and a big problem.

Complying with the Telephone Consumer Protection Act (*tinyurl.com/tcparules*) complicates outbound collection calls, notes Art Sookazian, VP/special services and risk management at $1 billion Los Angeles Federal Credit Union (*lafcu.org*), Los Angeles, because you can't call a member's cell phone unless you have his or her explicit consent, and there is a $500-per-call fine for violating that regulation.

Getting Consent

Cell phones create a huge challenge for efficient collections, Balmer notes. More than 40 CUs outsource their collections to PSCU, so he's running a pretty large collections shop and paying attention to automation and efficiency. Autodialing land lines is permitted but increasingly useless as cell phones take over.

"It's normal now that 60 to 70 percent of the contact numbers in a collection file we receive are cell phones," he reports. And that's a big headache because TCPA prohibits autodialing cell phones unless the consumer has explicitly opted to get messages that way from the CU. Without autodialing, the process becomes manual and hugely inefficient, he points out.

Some credit unions have signed hold-harmless agreements with PSCU, which shifts responsibility and liability to the CU and frees PSCU to autodial, but that has obvious risks for the credit union. So PSCU in general dials cell phones manually, asks for consent, and moves a member to the automated side after getting consent.

The collection files CUs send PSCU might contain a high or low percentage of consenting members. "Some have done a good job of getting most of their members to consent," Balmer reflects. "Others haven't really tackled it. As more CUs recognize the value of getting consent, the situation is starting to improve gradually."

The rules around autodialers, cell phones and consent may be inconvenient, but they are clear, explains Rozanne Andersen, VP/chief compliance officer for Ontario Systems LLC (*ontariosystems.com*), Muncie, Ind. "Nobody can call a member's cell phone and leave a prerecorded message without the explicit consent of the member. This made some sense in 1991 when the TCPA set those rules, because cell phones were exceptional and expensive then. The government wanted to protect consumers from unwanted calls and associated charges caused by overzealous telemarketers. Now it's absurd, because 75 to 80 percent of U.S. consumers consider their cell phone their primary communication device."

If the member provides a cell phone number in the process of getting a credit card, car or other loan, that's consent, Andersen says. If the member enrolls in mobile banking and establishes a communications link between the CU and the member's cell phone, that's not consent because it's not tied to credit-granting. Getting the cell phone number as part of an onboarding process for new members is not necessarily consent unless the member is joining to get a loan, she adds. "It has to be *informed* consent. If it's part of a blanket agreement, you should disclose that the member is giving consent to be contacted by cell phone for collections."

Different requirements exist under TCPA for land line calls, cell phone calls and autodialing programs, explains Linda Straub Jones, a director at LexisNexis Risk Solutions (*risk.lexisnexis.com*), Atlanta. The big TCPA issue today is the 2015 declaratory ruling by the Federal Communications Commission (*tinyurl.com/fcc2015rule*) on how collectors are allowed to contact consumers. That ruling triggered a lawsuit by ACA International (*acainternational.org*), which has not yet been resolved, and now the Trump administration is changing the makeup of the FCC, so it's a stay-tuned situation, she points out.

Making Third Parties First

Then there's FDCPA. The Fair Debt Collections Practices Act of 1977 (*tinyurl.com/fdcpa1977*) spells out what you can and can't say in a collection letter or phone call, Andersen notes. But that law applies only to third-party collectors of consumer debt that is in default. Compliance with FDCPA is onerous, so many CUs are authorizing collection agency partners to collect in the CU's name, making them first-party collectors not subject to FDCPA. "It is the hottest trend in the credit and collection industry today," she says, "and CUs benefit because it fosters member relationships and increases the likelihood of establishing sound payment arrangements.

"Third-party collectors have to disclose more than first-party collectors," she explains. "It's legitimate for a CU to use a collection agency as its surrogate, to become

Finding Delinquents

Some of the new technology is all gain and no pain. With the buildup of huge databases and sophisticated search engines, finding a delinquent borrower who has disappeared has become radically more technology-based and efficient, says Linda Straub Jones, a director at LexisNexis Risk Solutions (*risk.lexisnexis.com*), Atlanta.

"People used to spend days paging through paper phone directories and criss-cross directories, which were always local. It took a lot of time and was often fruitless. Now there are databases that cover everyone in the U.S., with links to their known relatives and associates going back 30 years, with most recent street addresses and sometimes current phone numbers."

So you can search for an individual delinquent quickly and affordably, Jones says. Even better, you can send a batch file of collection accounts, she explains, and have it scrubbed for people who have died or filed bankruptcy and start your search with a smaller, cleaner file.

a collections arm of the CU and play by first-party rules, but they have to look and act exactly like the CU all the time. If they blur the line and use some of their third-party techniques, the CU and the collection agency could land in litigation."

Most CUs don't have the resources to keep up with the regulatory changes and rely on outside counsel for advice, Elieff explains. But not all attorneys specialize in these intricacies. So choose your counsel based on solid references, the attorney's experience defending debt collection lawsuits and the counsel's ability to interpret consumer protection regulations, she advises.

Aside from regulation and potential litigation, today's phones pose collections challenges, Balmer notes. One is reaching the right party—getting the actual member on the line instead of a family member or a voicemail recording.

Caller ID is another road block. PSCU and others that collect on behalf of CUs use technology to make their automated or manual calls sound like a live representative of the CU is calling. When the caller ID service shows PSCU's number instead of the CU's, that illusion is broken and the member is less likely to answer the call. "We're looking into ways to channel the calls so that it's the CU's number that shows on the screen," he says.

One CU's Success

For all the regulatory challenges, operations-minded CUs like Los Angeles FCU are embracing new technology and seeing results. Los Angeles FCU has an automated outbound calling program for collections, Sookazian reports, that provides a direct connection to an IVR phone system or a manned call center for making payments.

"It's cost-effective and convenient," he says, "and it provides a good member experience."

The system includes an automated, intelligent decision engine that can give eligible delinquents an extension, he notes. It "sees relationship history and credit profile and can decide whether the member is entitled to re-age the loan and change the payment amounts and due dates." That process, he says, can prevent further loan defaults, reduce processing errors, provide quicker turnaround and guarantee consistent treatment of members.

Los Angeles FCU also has a skip-a-pay automated feature, Sookazian says, for members in good standing who elect it in response to an automated email blast.

"The selection criteria are automated; the back end is automated," he explains. He reports that 65 percent of the emails are opened and 10 percent use the service. Once the member selects the payment to skip and the account to be debited for the small fee, it all happens automatically in less than two minutes. No delinquency is triggered. The system simply recalculates the new loan amortization, and the member's credit remains unblemished.

The fee doesn't generate net income, Sookazian says; it just covers the administrative cost of the program. But the additional interest from extending the loan does add to interest income, he notes. The member can take a trip without worrying about how to make a $400 auto loan payment—or conserve cash in a month when they have an expensive event, he explains. And it doesn't create work for the collections staff.

Los Angeles FCU also uses automation to analyze delinquencies, score credit risk and prioritize collection efforts, Sookazian reports.

"Obviously, it makes sense to work a delinquent D-rated loan quicker and more aggressively than an A+ loan that has never been late before," he says. That's standard collections strategy. But Los Angeles FCU uses automation to put loans into high-, moderate- and low-risk buckets and in priority queues. The system looks at credit scores and changes in credit scores.

"A borrower with a 700 credit score might not look like a high risk, but if that score was 800 the month before, that's a definite red flag," he observes.

The CU emphasizes trend analysis and frequent reporting. "I see delinquency reports daily," Sookazian says. "Many CUs do it monthly, but I want to see how today compares to yesterday, as well as last week, last month, last quarter and last year." LAFCU also does a lot of benchmarking with peers and uses data to set goals.

Individual collectors get system-generated performance scores based on weighted averages. "That drives production and gives them targets to shoot for." Without automation, this would be too much work. With automation, it's feasible, he observes.

And it works. "We reduced delinquent loans by 96 basis points in 12 months," he reports. "That helps us with our ultimate goal of reducing the provision for the loan loss reserve."

Richard H. Gamble *is a freelance writer based in Colorado.*

Collectors' Collective

CUs now have a national networking platform and annual meeting for sharing collections intelligence—the National Credit Union Collections Alliance *(ncuca.com)*, a non-profit educational organization organized in 2015 and funded largely by vendors and attendance fees from an annual meeting. Any CU can join. There are no membership dues for CUs, reports Art Sookazian, volunteer president of NCUCA and VP/special services and risk management at $1 billion Los Angeles Federal Credit Union (*lafcu.org*), Los Angeles.

"Sharing success is important for credit unions because individually we compete with large, powerful banks and finance companies," Sookazian points out. "Our strength comes from cooperation, which requires communication. That's NCUCA's rationale." Vendors do more than foot the bill and market their services, he insists. "CU collections staffs are always importing third-party data, which often requires clumsy workarounds. We bring vendors and CUs together to explore integration issues."

More on Collections

Three Steps to Collections Success (*cues.org/0616collections*)

Compliant Collections (*cues.org/1116compliant*)

Adventures in Collections (*cues.org/1214adventures*)

Crazy Collections Stories (*cues.org/1114crazy*)

CUES School of Consumer Lending, Aug. 13-14, Denver (*cues.org/socl*)

CUES Advanced School of Consumer Lending, Aug. 15-16, Denver (*cues.org/advsocl*)

Ongoing Operations

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Headquarters: Hagerstown, Md.
Member since: 2017
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Dedicated to Excellence

After the 1995 Oklahoma City bombing, 2017 CUES Exceptional Leader Amy Downs, CCE, made significant changes in her professional and personal life. Soon she'll be CEO.

By Diane Franklin

The exceptional journey of Amy Downs is a story of perseverance and achievement in the face of unimaginable loss and tragedy.

A CUES member, Downs, CCE, is the SVP/COO of $263 million Allegiance Credit Union in Oklahoma City and was recently named the 2017 CUES Exceptional Leader. In 1988, Downs began working as a teller for Federal Employees Credit Union, now called Allegiance CU (*allegiancecu.org*). At the time, she never dreamt she would become CEO less than 30 years later. But that is what she will do when she succeeds current CEO Lynette Leonard on Jan. 1.

As incoming CEO, Downs has an important legacy to protect—the memory of 18 co-workers who lost their lives in the Oklahoma City bombing of the Alfred P. Murrah Federal Building on April 19, 1995. Downs was in the building that day when a powerful explosion ripped it apart.

"I fell three floors and was buried under about 10 feet of rubble," Downs recalls. She waited more than six hours to be rescued. Among other survivors was then-CEO Florence Rogers, who led the remaining 15 employees in the Herculean task of rebuilding the CU after losing more than half of its staff and its only location.

In the aftermath of the bombing, Downs made significant changes in her life—both professionally and personally. "After a few years of getting through the dark tragedy of it all, I keep coming back to that moment of waiting to be rescued and promising God that, if I got out of this alive, I would never live my life the same way," she says.

A Promise to Change

In fulfilling that promise, Downs has dedicated herself to excellence in her career. She's come a long way from the teenage girl in Shreveport, La., who was not the best of students. "I barely graduated high school and then flunked out of college," she reports. "I was one of those young adults who was failing to launch."

Downs took her first job in the credit union industry as a drive-through teller at Wesla Credit Union in Shreveport, La. Moving to Oklahoma City a few years later, she decided to remain in the credit union sector by taking a teller job at Federal Employees CU.

Within a few years, she was promoted to credit card clerk. At this point her boss, Visa Program Manager Vicky Texter, became the first of two important mentors in her life.

"Vicky was the first person who made me feel that this could be a career," Downs says. "She was an amazing woman who taught me that, no matter what your job, you should always do it with excellence."

Whenever Downs was feeling uncertain about her abilities, Texter was there to offer support. A few days before the bombing, Texter left an inspirational card on Downs' desk. The card read: "Use what talents you possess; the woods would be very silent if no birds sang there except those that sang the best." Texter wrote a personal note in the card, encouraging Downs to be the best she could be.

Tragically, Texter lost her life in the bombing. To this day, Downs cherishes that card and the message it represents. "I will be forever grateful to Vicky," Downs says. "She had a huge impact on my life."

The other important mentor in Downs' life is Lynette Leonard, a CUES member who became CEO upon Florence Rogers' retirement 21 years ago. Under Leonard's leadership, Allegiance CU has more than tripled its asset size, grown to four locations and increased its staff to 76 employees. Leonard also led the CU through a name change and a transition to a community charter.

"Lynette came in and made a lot of difficult decisions," Downs says. "She did all the things needed for the credit union to survive."

Leonard took Downs under her wing, recognizing her potential as a future leader for Allegiance. "I can truly say that Lynette believed in me more than I believed in myself," Downs says. "She is the one who inspired me and prepared me to step into her role."

When Leonard became CEO, she did not have a college degree. However, she was perceptive enough to realize that Downs would need one. "Amy and I had several conversations about her future," Leonard recalls. "One of the things I told her was that the credit union had grown too large to ever have another CEO without a degree."

"Lynette challenged me to go back to school, and I turned the challenge around on her and said, 'Why don't you go with me?'" Downs reports. "So, we both went back and got our degrees together. And this time, I did not flunk out."

Downs received a degree in organizational leadership from Southern Nazarene University, graduating magna cum laude and earning a Distinguished Achievement Award. She then earned an MBA.

“By earning these degrees, I felt I had righted a previous wrong in my life,” Downs says.

Downs further readied herself for leadership by attending all three years of CUES’ CEO Institute and earning her Certified Chief Executive designation. She moved up, attaining the SVP/SOO role. She also earned several honors, including being a 2016 CUNA Rock Star and a local newspaper’s 2015 Woman of the Year honoree. With these credentials, Leonard is confident that Downs is well-prepared for her new role.

“I’m excited to see what Amy will do as CEO,” says Leonard. “She’s an exceptional person who inspires others and is willing to take on any challenge. I’m sure she’ll do a wonderful job.”

“I keep coming back to that moment of waiting to be rescued and promising God that, if I got out of this alive, I would never live my life the same way.”

Amy Downs, CCE

Focus on Physical Fitness

Beyond her academic and professional achievements, Downs has changed her life through a focus on physical fitness. For many years, she struggled with a weight problem, but through a commitment to a healthier lifestyle, she has lost more than 200 pounds.

Over the years, Downs took up biking, running and swimming. One of her goals was to participate in the Oklahoma City Memorial Marathon Run, which honors the 168 people who died in the bombing.

“As a survivor, I was passing out medals at the marathon and became inspired by the different types of people crossing the finish line—older people, people who were overweight, people with disabilities,” Downs recalls. “I decided to run in honor of my co-workers who were killed. I began training with several of my Allegiance co-workers, and we all ran a half-marathon together.”

After that experience, Downs began participating in marathons, triathlons and Aquabike competitions. She is currently training for her first full Ironman triathlon, taking place in November in Tempe, Ariz.

Downs’ devotion to physical fitness led to personal happiness when she met fellow cyclist Terry Head. She married him four years ago. In addition, Downs takes pride in her 17-year-old son, Austin Petty, who is pursuing his passion as a drummer.

A Wonderful History

When Downs becomes Allegiance CU’s CEO in January, she will be the third consecutive woman in that role. “I love that we have this wonderful history at the credit union,” she says. “I was able to get a picture of Florence, Lynette and me not that long ago, and that is something I will cherish.”

In executing her CEO duties, Downs will be deploying the lessons she learned from the two important mentors in her life. “If there was one message that Lynette has constantly pushed, it is ‘Don’t be complacent. Push yourself to do more,’” Downs reports. “Vicky was the same way. She was always telling me, “If you are going to do something, do it well. Do it with excellence. Give it your all.’ That is what I intend to do.”

Diane Franklin *is a freelance writer based in Missouri.*

More on Leadership

Monthly “Leadership Matters” columns links via weekly CUES Advantage e-newsletter (*cues.orgenewssub*)

CEO succession planning (*cues.org/ddj*)

CEO Institute (*cues.org/institutes*)

CUES membership (*cues.org/membership*)

CUES awards programs (*cues.org/recognition*)

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2. Mailed In-county Paid Subscriptions	N/A	N/A
3. Paid Distribution Outside the Mail	N/A	N/A
4. Paid Distribution by Other Classes Mailed via USPS	999	1,003
C. Total Paid Distribution	10,716	11,083
D. Free Distribution by Mail and Outside the Mail		
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Mortgage Must-Haves

It's less about rates than the experience.

By Stephanie Schwenn Sebring

If there's one thing savvy lenders have learned, borrowers want guidance and convenience when it comes to obtaining a mortgage. "It's not all about rates," says Tammy Trefny, senior account manager/single-housing unit for Fannie Mae (*fanniemae.com*), Washington, D.C.

"Borrowers want to be guided through the process and feel confident in their decision. But they also want to conduct business using their mobile device," she adds.

Rates aren't a differentiator, but mobile convenience is. "Mortgages are transforming digitally as rapidly as everything else, and it's a shift in societal expectations," adds Keith Kasmire, VP/sales for CUES Supplier member CU Members Mortgage (*cumembers.com*), Addison, Texas. "Moving to mobile means improving your entire mortgage process. Consumers not only want but expect a mobile app to make getting a mortgage easy."

Start by defining your digital mortgage strategy (see sidebar, p. 36). "Outline your best practices to assure a fast and easy process for your members," advises Trefny. "Include a website that's rich with information about the home-buying process and your products. Align with vendors that are technology-driven and can assist with your transformation to mobile." There are ample technology solutions to support the digital process—from loan origination software to online and mobile apps to third-party vendor expertise.

Mobile delivery is just one factor affecting the mortgage market today. When promoting mortgages, marketers need to consider everything from consumer preferences for fast approvals and closings, to market influences and product design.

Digital, the New Paradigm

Once Quicken Loans introduced Rocket Mortgages, mobile became the minimum bet to sit at the table. "The old delivery method will soon become extinct," says Barry Malone, SVP/sales for mortgage software provider FICS (*fics.com*), Addison, Texas. "However, for many lenders, the weakest link remains the expediency of the process, the ability to move every aspect of the mortgage application to digital, including the appraisal and title search." Still, he adds, approvals can be immediate, even if closings can't.

MISMO files (Mortgage Industry Standards Maintenance Organization, *mismo.org*), a common set of files used by the mortgage industry, will encourage automation, says Malone. According to the MISMO website, standards allow for "integration, improved data quality, and a common language for exchanging data and information with mortgage partners."

Any vendors you choose should be MISMO-compliant, advises Malone. "MISMO files can include appraisals, title work, income and insurance verifications, and more." With the help of these standardized files, he believes successful mortgage lenders will

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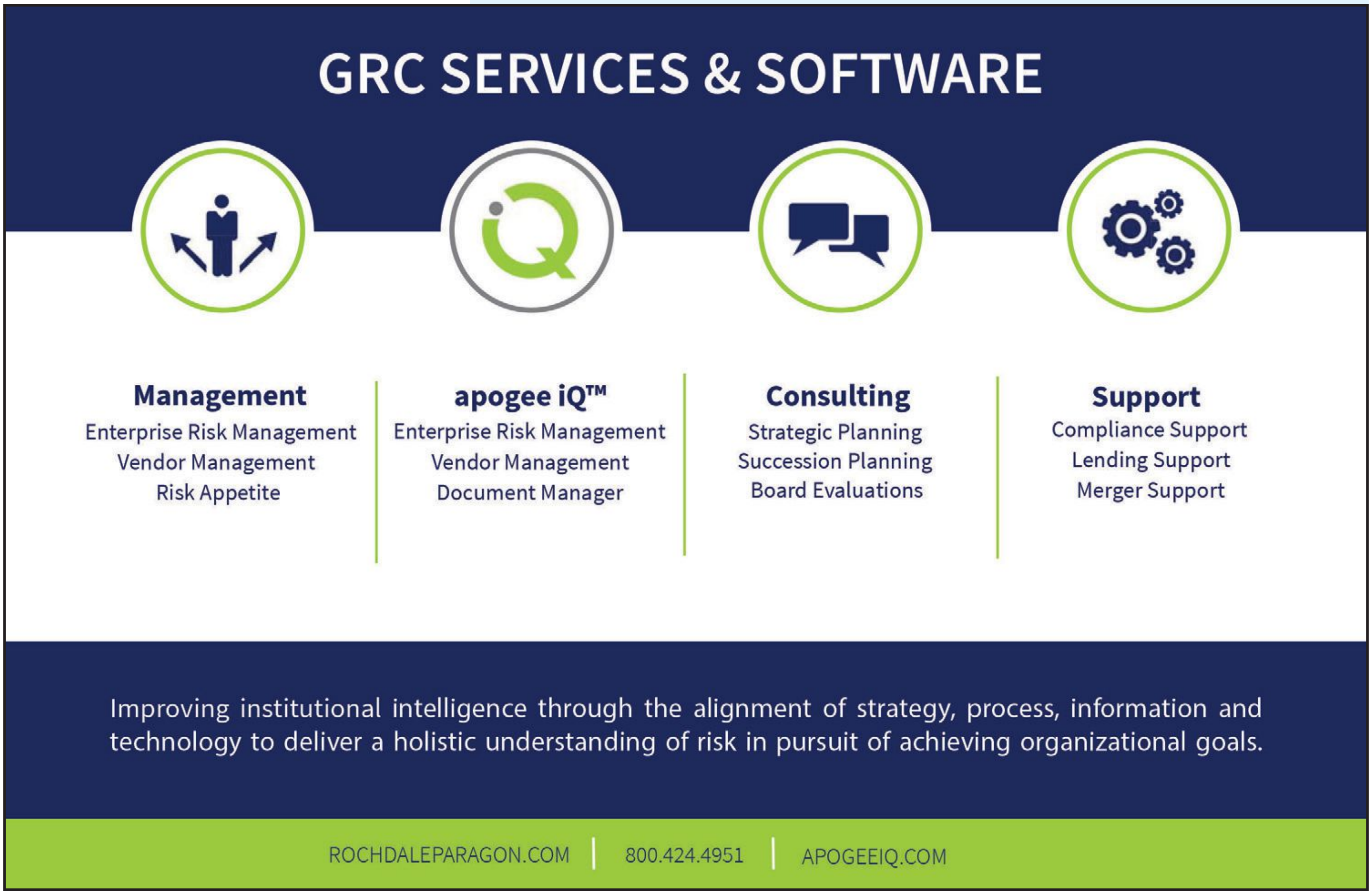
Our team understands the challenges credit unions face, the responsibilities and pressures they have, and the vast amount of information through which they must navigate to ensure they are taking full advantage of opportunities and meeting member needs. To that end, the firm has created a unique partnership which offers seamless professional services assistance and corresponding software solutions. The software, apogee iQ™, has re-invented how services and systems are offered. Like the financial institutions it serves, the organization is focused on one thing—meeting the needs of tomorrow, today.



eventually become 100 percent electronic. "The technology is there. And today, e-signature and e-docs make digital just as secure as paper transactions."

But will the paper shuffle truly go away?

Look for technology to assist with automated verifications as well as apps that search third-party data to autofill an applicant's assets—all can pare down the process.

For example, Fannie Mae's Desktop Underwriter Validation Service (*tinyurl.com/y7ppwvh6)* provides automated validation of income, assets and employment. And its Collateral Underwriter® (*tinyurl.com/y7dzqncc*) provides automated property appraisals.

"Leveraging your data will be the solution to less paper and the validation of loan approval will accelerate dramatically," adds Kasmire. "The key is to align with vendors that can help you to extract from the vast amount of third-party data."

"Despite ticking up a bit, rates are still low and purchase mortgages remain the largest pool of business."

Tammy Trefny

New DTI Standards May Impact

In August, Fannie Mae expanded its guidelines (*tinyurl.com/ycfy8mwl)* for DU approval, allowing for more loans with debt-to-income ratios between 45 and 50 percent to be eligible. The adjustment, explains Trefny, is designed to encourage lenders to take full advantage of the credit box, to reach for the "corners" rather than hovering somewhere in the middle. "Credit unions know their members," she adds. "Even before this adjustment, it's wasn't uncommon for CUs to alter loans outside their parameters to serve members. CUs have always excelled at assessing the risk and structuring niche products to serve their members' needs."

Market Influences to Watch

In the housing market, prices have stabilized, but supply is low across the U.S. "And people aren't picking up and moving like they used to," says John Theobald, VP/lending at $373 million Day Air Credit Union (*dayair.org*), Kettering, Ohio. "After locking in on the low rates of the past decade, many consumers are content to stay put. Instead of moving, they're improving their properties with home equity loans."

The job market has also had an impact, he notes, with more people telecommuting to jobs without the need to relocate.

Student debt is a challenge other generations haven't faced, adds Trefny. Combine that with limited housing stock and stagnant wages, affording a home can be difficult and can keep younger buyers out of the market. "But as millennials grow older and start their families, their aspirations of home ownership increase."

Conversely, the demand for refinances has been shrinking. "We've seen the refinance market depressed for about 10 years now, which is not unexpected after a period of historically low rates. Most loans that could have been refinanced probably have been by now," says Malone. Still, it makes sense to offer a refinance product for those who need it, but it probably shouldn't be the focus of your marketing. "Instead, focus on the ease of the mortgage experience and your expertise," he adds.

Review your mortgage offerings. Do you have the products today's borrowers need? Do you have the right content online and staff to help the member through the process? Are you making home ownership easy and accessible?

Down Payment Key to Affordability

"Don't let money down be an obstacle to homeownership," stresses Kasmire. "If you consider the millennial segment, many are just starting out, and many have large amounts of student debt. These borrowers, perhaps more than any other segment, need additional flexibility with their mortgages."

Malone believes the key is to offer extended terms, including 30-year loans, so getting a mortgage is affordable for this segment and others. "While some CUs don't offer longer terms, or don't want the risk of a 30-year term, I think it (the mortgage) is the most important product you can offer, and it may be the only way to get your member into a home they can afford."

Obtain Federal Home Loan Bank, Fannie Mae or Freddie Mac investor approval, he adds, so that you can sell these 30-year loans to the secondary market while retaining the servicing. "Then hire the right people who understand the industry—many experienced mortgage professionals are looking for opportunities. You'll benefit by preserving the member relationship, plus earn a nice sum of fee income (from the servicing)."

Trefny concurs, adding that a 30-year term will typically be your most attractive product for most borrowers, especially younger ones, because of payment stability. However, she notes that established members may like a 15-year term because of its lower rate and faster payoff.

Day Air CU developed its No Money Down Mortgage to serve its millennial borrowers. Structured as a 20-year mortgage, 80 percent of the loan amount is set at a fixed rate. The remaining 20 percent is set at a slightly higher rate to cover the private mortgage insurance.

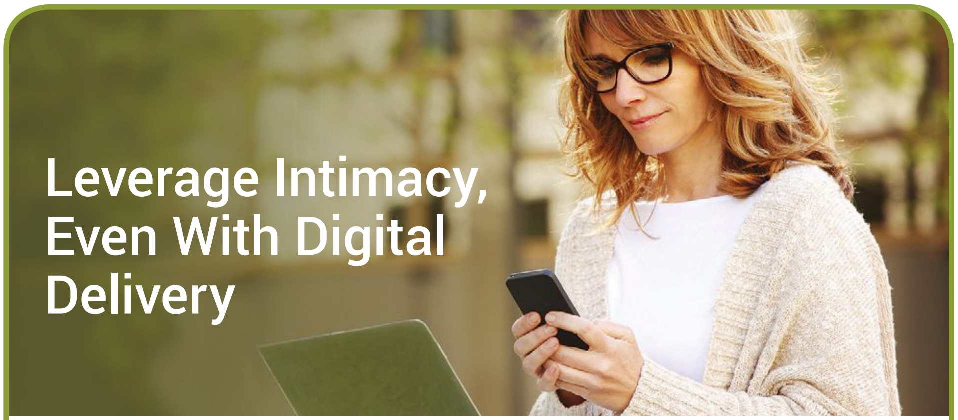
"We position the loan as having one low fixed rate (as a weighted average) available with no down payment," says Theobald. "It has wide appeal to members, and most have found it more advantageous to take the $0 money down offer rather than a traditional loan with PMI."

For his CU, mortgage marketing has been most successful via email campaigns—for both the no-money-down product and refinances. We track clicks and open rates—what's working—and we adjust the message and timing of our campaigns," explains Theobald. "The campaign is targeted mostly to first-time home buyers, and the refis to those who have been in their homes a while, have a 30-year term, but the potential to cut their terms in half."

The refi message hasn't resonated yet, he adds. "But we're retooling and broadening our sample using predictive analyses recommended by our credit bureau."

The CU is also taking steps to do more with local real estate agents—inviting them to lunch, attending loan closings and participating in shared community events. "We're doing additional e-marketing to Realtors as well," says Theobald. "We focus on our no-money-down product, and that we underwrite here (in Ohio)."

While the No Money Down Mortgage is only eight months old, Theobald is encouraged by the increase in mortgage activity. "August was our highest closing month since 2013, with 70 percent of the loans being new purchases. The No Money Down message is resonating. Not only do members like the freedom of $0 down, they like the fact that their equity will build faster."



Leverage Intimacy, Even With Digital Delivery

Credit unions are already entrenched in the member experience as part of their business model. "But take it a step further; leverage this intimacy," offers Keith Kasmire, VP/sales for CUES Supplier member CU Members Mortgage (*cumembers.com*), Addison, Texas. "Deliver the same high-touch experience with your mortgages but one that is fast, easy and technology-driven." Doing this will also help you level the playing field with competitors.

"The availability of mortgage apps with powerful functionality will only accelerate," he continues. "Look for apps that [connect] with your brand for a seamless end-user experience. When a member uses your app, they shouldn't feel as though they've left your site."

Draft a digital plan for your mortgages, and look to your mortgage partners for support.

Start by evaluating your loan origination software, its application and relevancy to mobile, says John Theobald, VP/lending for $373 million Day Air Credit Union (*dayair.org*), Kettering, Ohio. Also review your mortgage department's structure, its strength in using technology and experience selling to the secondary market. "Are you positioned to move into the digital space? Do you have the right talent internally and externally? A mortgage CUSO can help you to keep pace with the latest trends, products and training."

An important part of the digital mortgage experience is being to provide fast approvals. Consider a tool like Fannie Mae's Desktop Underwriter Validation Service (*tinyurl.com/y7ppwvh6*). "Since 1990, the program has been collecting data that help with automated decisions," explains says Tammy Trefny, senior account manager/single-housing unit for Fannie Mae (*fanniemae.com*), Washington, D.C. "It can tell you how likely consumers are to make payments. It also delivers a comprehensive risk assessment so you can be sure your loan is eligible to sell to us."

Trefny also notes that Fannie Mae accepts historical appraisal data or a property inspection waiver on certain refinances and, if there is enough information on the property, automated valuations for new money purchases.

"Even so, there is no intent to eliminate appraisers or appraisals," continues Trefny. "Most home buyers should be encouraged to purchase an appraisal for their peace of mind, to verify the value and condition of the property, and to reinforce their decision to buy or refinance."

What Messages Work?

Not those leading with rates, "simply because rates don't make an emotional connection," says Kasmire. "Sure, they're important, but not as (important as) the central theme of your campaign."

What buyers want is a connection with the place they're doing business. They want guidance throughout the sales journey and a trusted expert to teach them about the process, not minute details.

When shaping your message, focus on delivering the information your members want in the way they want it. Kasmire suggests learning from the auto industry where the goal "is to create an emotional connection between the buyer and the car— and for the buyer to feel good about their choice. You can apply this same strategy to your mortgages."

Should the channels you advertise in be strictly digital? It depends on your audience. But most successful lenders use multiple channels to market their mortgages. Trefny likes an old-school mix of personal phone calls, robust email campaigns and maybe some direct mail. Social channels are also imperative.

"Think like the home buyer you're speaking to," she adds. "If they're a first-time buyer, they may need education. Older or more experienced buyers may not need the hand-holding but want assurance of a streamlined process. For refinances, the focus may be ease and convenience and lower cost, but less on mortgage education. Also understand that the refinance group is more likely to shop around."

How well you craft your message, says Trefny, will ultimately come down to how well you understand your members.

"You have the distinct advantage to customize or create niche products that mortgage companies and bigger banks can't," says Trefny. "Leverage this uniqueness. Offer affordable strategies and a diverse product mix that cater to different members in different financial situations."

Finally, ask yourself if members feel good about doing business with you. If this can become the common denominator for your marketing messages, mortgage or otherwise, you'll find success.

Stephanie Schwenn Sebring *established and managed the marketing departments for three CUs before launching her business. As owner of Fab Prose & Professional Writing, she assists CUs, industry suppliers and any company wanting great content and a clear brand voice. Follow her on Twitter* @fabprose.

More on Mortgages

Target: Mortgage Success (*cues.org/0417target*)

Close to Home (*cues.org/0317close*)

Generating Loans by Generation (*cues.org/0217generating*)

Mortgages for Millennials (*cues.org/1215mortgages*)

Helping Members Buy Homes, Post-Recession (*cues.org/0317helping*)

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Don’t Dread Exit Interviews

Why you should gather feedback from departing employees and what you can do with it.

By Lin Grensing-Pophal

What was an employers’ market in terms of employee recruitment just a few short years ago has turned into an employees’ market.

According to *the Work Institute’s 2017 Employee Retention Report* (*tinyurl.com/y6u5zmn7*), “Macroeconomic data shows that employees are in control, evidenced by ... a 4.7 percent unemployment rate and a report of 5.3 million open jobs, both in February 2017.”

With the average cost of turnover estimated by the Work Institute to be $15,000 per employee, credit union executives are wise to consider ways they can stem the outward flow of employees to what they may perceive as better opportunities.

Exit interviews are one way to gather intelligence that can be used to make improvements to avoid costly future losses.

How Exit Interviews Work

Exit interviews, as the name suggests, are interviews with employees leaving an organization. They are designed to elicit information about both the employee’s positive and negative sentiments about the organization, its policies, management, culture and climate. They may be conducted in person, over the phone or, increasingly, through such electronic means as online assessments or surveys.

Exit interviews represent an opportunity for credit unions “to get information on what has worked well and what they can improve upon to really help the culture,” says Laurie J. Maddalena, CPCC, PHR, CEO/chief leadership consultant with Envision Excellence LLC *(envisionexcellence.net)*, in Rockville, Md.

While technology makes it possible to conduct exit interviews remotely, capturing input via email or survey portals, Maddalena recommends in-person, face-to-face discussions because they generate the best information. She acknowledges that “people aren’t very honest in exit interviews” but more relevant, honest, feedback can be generated when conversations take place in person. “It’s an opportunity to build a little bit more trust and to ask follow-up questions or dig a little deeper,” she says.

On the other hand, Adam Calli, SHRM-SCP, SPHR, has had good experiences with online exit interviews, which he says "can seem less 'confrontational.'" Calli is an HR consultant with Arc Human Capital LLC *(archumancapital.com)*, in the Washington, D.C., area and a 19-year HR veteran.

Online exit interviews "can increase the response rate if done properly and can enable you to more easily compile the data so you can identify trends over time which then become actionable as opposed to being a mere collection of anecdotal notes," he adds. Using tools like Survey Monkey (*surveymonkey.com)* can also help to expedite reporting, he says. "This not only provides the HR person a way to improve data visualization, but it improves the ability to quickly and clearly communicate the data and enable department leaders to see how they're doing."

Trust is a critical element for ensuring that feedback attained is accurate and constructive. Employees are understandably hesitant to "burn bridges" when leaving a job, as they should be. But if your credit union has established an environment of open communication and a willingness to hear constructive feedback, you can boost the odds that employees will be forthcoming during their exit interviews.

"An employee has to feel safe that they can answer directly and with dignity," says Deedee Myers, Ph.D., MSC, PCC, CEO of CUESolutions provider DDJ Myers Ltd. *(ddjmyers.com),* in Phoenix. "If people leave their managers, they might be worried about references," she says. Myers says she works with many clients on ensuring that the culture is such that employees feel safe giving "direct, relevant, rigorous feedback."

There's significant value in attaining relevant and actionable feedback via exit interviews says Rick Gibbs, a performance specialist with Insperity *(insperity.com)*, New York. "Well-designed employee surveys and exit surveys help companies determine if there are workplace culture issues," says Gibbs. "They can help identify when employees feel connected to or disconnected from the overall mission of the organization. They can highlight management issues that, once addressed, can improve retention. The benefits can be far-reaching, and companies are often surprised by what they learn from exit surveys or employee surveys."

Gaining these benefits, of course, requires following some best practices to boost the odds that employees will be forthcoming and their input will be useful.

Four Best Practices

Understandably, exit interviews may be sensitive, and input often skews to two ends of a continuum—employees who have an ax to grind and are excessively negative and employees who are concerned about negatively impacting future career opportunities and cast an excessively positive light on their experiences. The goal for CUs, then, is to find a way to gain insights that are somewhere in the middle of this continuum.

1. Conducting the Exit Interview

One threshold consideration for conducting successful exit interviews is to determine whether they will be in person and, if so, who will conduct the interviews. HR staff members may be a good choice for doing them, when feasible; they may be less intimidating for an employee to talk with than their supervisor or manager. HR can also assist in helping to create the content/template for exit interviews to ensure that consistent, comparable information is captured from all areas of the credit union.

Using an external resource to conduct exit interviews is a trend Monique Honaman has been seeing with increasing frequency. "The third party is able to create a level of anonymity and, through a robust discussion, is able to really get at the root of why the person left and what could be done to improve retention," says Honaman, partner/CEO with ISHR Group *(ishrgroup.com)*, a leadership assessment, development and coaching services firm based in Suwanee, Georgia. "The value is that the nuanced reasons can be gleaned from the dialogue, as opposed to a 'check-the-box' response."

2. Asking the Right Questions

Exit interviews shouldn't just be about unearthing or venting problems.

"Questions should seek to determine both what the company is doing right and what it is doing wrong," says Gibbs. "If outgoing employees want to vent about problems, this can be helpful when attempting to address the underlying issues. However, they should also be asked questions about their positive experiences. This information can be used to help protect and maintain a positive company culture, which in turn benefits recruitment and retention efforts."

In addition to considering the content and context for the questions that will be asked during exit interviews, it's important to keep those questions open-ended, says Maddalena.

She also suggests asking questions in such a way that they provide a quantitative indication of the exiting employee's perceptions. For instance: "On a scale from 1-10, how would you rate the culture?" or, "On a scale from 1-10, how would you rate your manager?" When ratings are less than 10, a follow-up might be: "What would it take to move your rating to a 10?"

In addition, more open-ended probing can be done to glean additional, qualitative, insights. For instance: "I'm sorry to hear that the culture wasn't a great fit for you; could you give me some examples of how or why the culture prompted you to consider working someplace else?"

Calli agrees that a combination of "numerical and narrative" questions can be useful. "The numerical questions will lend themselves to trend tacking, charting and easy visual communication," he says.

3. Promoting the Process

Just as with other forms of employee communication, it's helpful to promote the exit interview in multiple ways, says Calli. "At a prior company, I integrated the communications about exit interviews into all of the communications an employee received, up to and including their last day," says Calli. "When we emailed staff to acknowledge receipt of resignation letters, we gave them the exit interview link. When we emailed confirmation of their out-processing appointment, we gave them the exit interview link and, if we sent any other materials, we always included the link."

As with any marketing communications, Calli says, repetition drives action. "You can't ask once and hope. You have to stress how valuable their input is to the company and then make it as easy as possible for them to provide that input."

4. Putting Time Between Exit and Interview

Another best practice, says Honaman, is leaving time between the employee's exit and the exit interview. "Having been away from the job for a few weeks allows people to really reflect back on the reasons for their leaving," she says. "They have had some time to think and breathe and, frequently, their responses are going to be more thought-out—as opposed to rushed answers because they just want to get out the door and away from an awkward conversation."

Lessons Learned

Exit interviews provide an opportunity to gain information that can help credit unions improve practices, says Myers. That's really where their strength lies and why obtaining direct and honest feedback is so important.

Not all input is valid input, of course. Sometimes, notes Maddalena, an employee may simply be disgruntled or have a poor attitude. She recommends being particularly alert to patterns that may emerge frequently—maybe feedback about a manager's poor communication skills, for instance. Exit interviews, combined with insights that might be attained from employee engagement surveys, for instance, can help to identify these patterns.

When such situations occur, Maddalena recommends sitting down with the manager to have "an open, not accusatory" conversation. For instance, "We've gotten some feedback about your management style, and I want to hear your take on it. What was your experience with this employee? What do you think led to this person deciding to leave?" Maddalena recommends being very open and listening carefully to determine whether an issue actually exists. Perhaps the manager "needs more training on how to be an effective leader or needs to learn how to delegate better—whatever it is, hopefully they can coach that person and have a productive conversation."

On a larger scale, the insights and trends attained—collectively—from exit interviews can help the credit unions' leadership team identify organizational improvements that can help to lower turnover and increase engagement in the future.

Lin Grensing-Pophal, SPHR, *is a freelance writer and human resource management and marketing communication consultant in Chippewa Falls, Wis. She is the author of* The Everything Guide to Customer Engagement (Adams Media, 2014) *and* Human Resource Essentials (SHRM, 2010).

More Career Resources

Tips for a Positive Resignation (*cues.org/1017tips*)

Leverage Insights From Exit Interviews (*cues.org/1117hranswers*)

A Roundabout Route: Career paths (*cues.org/0917route*)

Career Advice From Three CU Leaders (*cues.org/082117skybox*)

Destination CEO (*cues.org/0417destinationCEO*)

A 2017 Career Roadmap (*cues.org/0117career*)

Avoiding Employee Breakups (*cues.org//1116avoiding*)

'Stay' Interviews (*cues.org/1115stay*)

Parting Shots (*cues.org/partingshots*)

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Geoff Bullock (right) with CUES' President/ CEO John Pembroke

Bullock Named 2017 Next Top Credit Union Exec

Geoff Bullock, financial education specialist at $1.1 billion Firefly Credit Union, Burnsville, Minn., was named the 2017 CUES Next Top Credit Union Exec last month.

Bullock's project about bridging the financial gap for adoptive families was chosen from a group of international applicants, all age 35 or under, whom a team of judges selected as Finalists in August. As one of five Finalists, Bullock's blog and video updates provided the industry with an insight into the project's progress and culminated with a final presentation at CUES CEO/Executive Team Network™. Bullock emerged the winner after a four-part scoring process that included judging panel results, a measurement of his social media engagement, plus audience and online voting.

Bullock's project idea was to create a unique loan product that would provide families wishing to adopt financial support and guidance throughout the process. In his presentation, Bullock provided suggestions for how CUs of any size could implement similar programs.

CUES president/CEO John Pembroke said, "Attendees at CEO/Executive Team Network were excited that Geoff Bullock and the rest of this year's NTCUE Finalists continue to demonstrate that the future of the credit union movement is strong and the plans and ideas coming from this next generation of leaders are both smart and achievable."

The other four Finalists were:

- Derek Fuzzell of $3.26 billion Northwest FCU, Herndon, Va.;
- Josh Gelser of $1.1 billion DuPont Community CU, Waynesboro, Va.;
- Lindsey McMillen of $1 billion Y-12 FCU, Oak Ridge, Tenn.; and
- Jessica Vartanian of $270 million Red Rocks CU, Littleton, Colo.

Bullock wins a $20,000 educational prize package including registration, accommodation and economy airfare to any two of CUES' CEO Institutes—one in 2018 and one in 2019—and two remote coaching sessions from challenge sponsor DDJ Myers Ltd., Phoenix, a silver CUESolutions provider for succession planning, executive recruitment and leadership coaching services. Watch for updates from Bullock at *NextTopCreditUnionExec.com*.

AD INDEX

To advertise, email *cathy.woods@mediawestintl.com*. CUES Supplier members are noted in orange. Find out more at *cues.org/advertise*.

Two Inducted Into CUES Hall of Fame

Doug Fecher, CCE, top center, and Mike Valentine, bottom center, with CUES' 2016-2017 Chair Stephanie Sherrod, CCE, and CUES' President/ CEO John Pembroke

Two credit union executives were inducted into the CUES Hall of Fame during a ceremony at CEO/Executive Team Network last month.

- Doug Fecher, CCE, president/CEO, Wright-Patt Credit Union Inc., Fairborn, Ohio; and
- Mike Valentine, president/ CEO, BCU, Vernon Hills, Ill.

The CUES Hall of Fame recognizes a lifetime of achievement and dedication to the CU movement. These leaders were chosen by CUES' board of directors for their contributions to their profession and the industry; involvement in community service; and education and history of self-improvement.

Apply for CEO Institute Scholarship

Applications are now being accepted for CUES CEO Institute Scholarship. The scholarship provides one-third of the registration fee for all three years of the institute.

Active CUES members who are full-time paid credit union executives committed to attending the entire program are eligible to apply. Applications are due by Dec. 1, 2017, with the winner being selected in early 2018.

CEO Institute (*cues.org/institutes*) is a challenging academic and leadership program tailored specifically for CU executives. This three-part graduate-level program takes participants through the full spectrum of leadership preparation with in-person classroom learning and hands-on post-segment assignments. Each week-long program is taught by top-rated professors and held at three of the nation's most respected business schools:

- CEO Institute I: Strategic Planning, The Wharton School, University of Pennsylvania, Philadelphia
- CEO Institute II: Organizational Effectiveness, Samuel Curtis Johnson Graduate School of Management, Cornell University, Ithaca, N.Y.
- CEO Institute III: Strategic Leadership Development, UVA Darden Executive Education, Charlottesville, Va.

Since 1995, 1,322 credit union executives have attended the CEO Institute program. Executives who complete all three years of the program and two post-segment projects are eligible to receive the Certified Chief Executive designation or CCE.

For more information and to apply for the CEO Institute Scholarship, visit *cues.org/institutes*, call 800.252.2664 or 608.271.2664, ext. 340, or email *cues@cues.org*.

Attend CUES Governance Leadership Institute™ in Miami (above) or Toronto in 2018.

Two Opportunities to Attend CUES Governance Leadership Institute

In 2018, credit union directors and executives have two chances to attend the highly-regarded CUES Governance Leadership Institute™ (*cues.org/institutes*).

Florida International University in Miami will host the institute on April 15-18 (*cues.org/gliusa*), or you can attend June 10-13 at the Rotman School of Management at the University of Toronto (*cues.org/gli*).

Both sessions will be taught by the renowned faculty of the Joseph L. Rotman School of Management, University of Toronto, which was ranked the top business school in Canada by *The Financial Times*. The agenda includes discussion about:

Credit Union Directors: Duties, Risks and Liabilities: You will examine the fiduciary and legal duties and responsibilities of boards to better understand the risks.

A Guide to Negotiation Strategies: Special attention will be paid in this session to the complexities of negotiations that occur within the boardroom. The session will be highly experiential and interactive in nature.

Governance of Credit Unions Best Practices: This session will focus on nine "better" practices—including director selection, board evaluation and individual director evaluation—that boards can use to enhance their effectiveness.

Influencing Change Strategies: Using simulations, you will act the role of a senior decision maker. The results of your decisions will become data that the group will analyze and discuss.

Critical Challenges & Opportunities for CU Boards: This session focuses on insights that are valuable to boards and how participants can apply them in the boardroom. Topics covered will include fiduciary duties, time management, board renewal/skills, and the emergence of director compensation.

Attendees will receive a high-level synopsis to share with colleagues back home summarizing the program's key take-aways and action items.

2017

DIRECTORS CONFERENCE
Dec. 10-13
JW Marriott Marco Island Beach Resort, Golf Club & Spa
Marco Island, Fla.

BOARD LIAISON WORKSHOP AT DIRECTORS CONFERENCE
Dec. 10-11
JW Marriott Marco Island Beach Resort, Golf Club & Spa
Marco Island, Fla.

2018

CUES SYMPOSIUM: A CEO/CHAIRMAN EXCHANGE
Jan. 28-Feb. 1
Grand Hyatt Kauai Resort & Spa
Koloa, Kauai, Hawaii

EXECU/SUMMIT®
March 11-16
The Summit at Big Sky
Big Sky, Mont.

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 8-13
The Wharton School, University of Pennsylvania
Philadelphia

CUES GOVERNANCE LEADERSHIP INSTITUTE™
April 15-18
Florida International University
Miami

EXECU/BLEND™ NEW
April 29-May 2
Hyatt Vineyard Creek
Santa Rosa, Calif.

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 29-May 4
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, N.Y.

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
April 30-May 3
Embassy Suites by Hilton Orlando International Drive Convention Center

Note: CU directors are encouraged to attend events listed in *blue*. For all future CUES events, visit *cues.org/calendar.*

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
April 30-May 4
Embassy Suites by Hilton Orlando International Drive Convention Center

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 20-25
UVA Darden Executive Education
Charlottesville, Va.

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 10-13
Rotman School of Management, University of Toronto

STRATEGIC INNOVATION INSTITUTE™
July 15-20
Stanford Graduate School of Business, Stanford University, Stanford, Calif.

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 16-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ I
July 16-18
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 19-20
Crowne Plaza Seattle

STRATEGIC GROWTH INSTITUTE™
July 23-26
University of Chicago Booth School of Business

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

BUSINESS LENDING FOR DIRECTORS SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

DIRECTOR STRATEGY SEMINAR
July 25-27
Kimpton Hotel Palomar San Diego

PAYMENTS UNIVERSITY
Aug. 13-14
Embassy Suites by Hilton Denver Downtown Convention Center

Socially Responsible Employers Attract Millennials

By Andy Roquet

Credit unions seeking to hire the best millennials should consider these young people's attitudes about joining socially responsible employers. Three-quarters of millennials would take a pay cut to work for a socially responsible employer, and slightly more said they consider an employer's social and environmental commitments when deciding where to work, according to a 2016 study (*tinyurl.com/y93azx6y*) sponsored by Cone Communications.

These three strategies should resonate with millennials:

1. Give enough to get real results. Small donations are important for community-based organizations. But consider also making at least one substantial gift, perhaps every two to five years, which will make a highly visible impact on an area of serious need. One tool credit unions can use to fund donations is a charitable donation account. Many state-chartered credit unions can also use CDAs.

2. Organize a range of volunteer activities. The Cone research shows that millennials value volunteer programs at work more than the average U.S. employee. The two volunteer activities rated by millennials as important were corporate-led activities (e.g., designated volunteer activities suggested by employers) and company-wide days of service (e.g., when all employees participate in a volunteer activity together on a certain day).

3. Let millennials help build your community service brand through social media. "Millennials view social media as a place to curate and share content that reflects their values—and this generation is enthusiastic about showing how their work is making an impact in the world. Companies that arm employees with the tools to make social media sharing as turn-key as possible will create authentic ambassadors for their [corporate social responsibility] efforts and build the brand from the inside out," notes Alison DaSilva, EVP/CSR Research & Insights, Cone Communications.

According to the Cone survey, millennials are far more likely than the average U.S. employee to learn and share details about the social impact of their employer's charitable donations and volunteer efforts through social media. The credit union culture is already steeped in community service. But often, it's a low-key approach to charitable contributions, volunteerism and other outreach programs. Perhaps it's time to take a cue from millennials to make very visible results.

Andy Roquet *is an executive benefits specialist for CUESolutions provider CUNA Mutual Group* (cunamutual.com)*, Madison, Wis.*

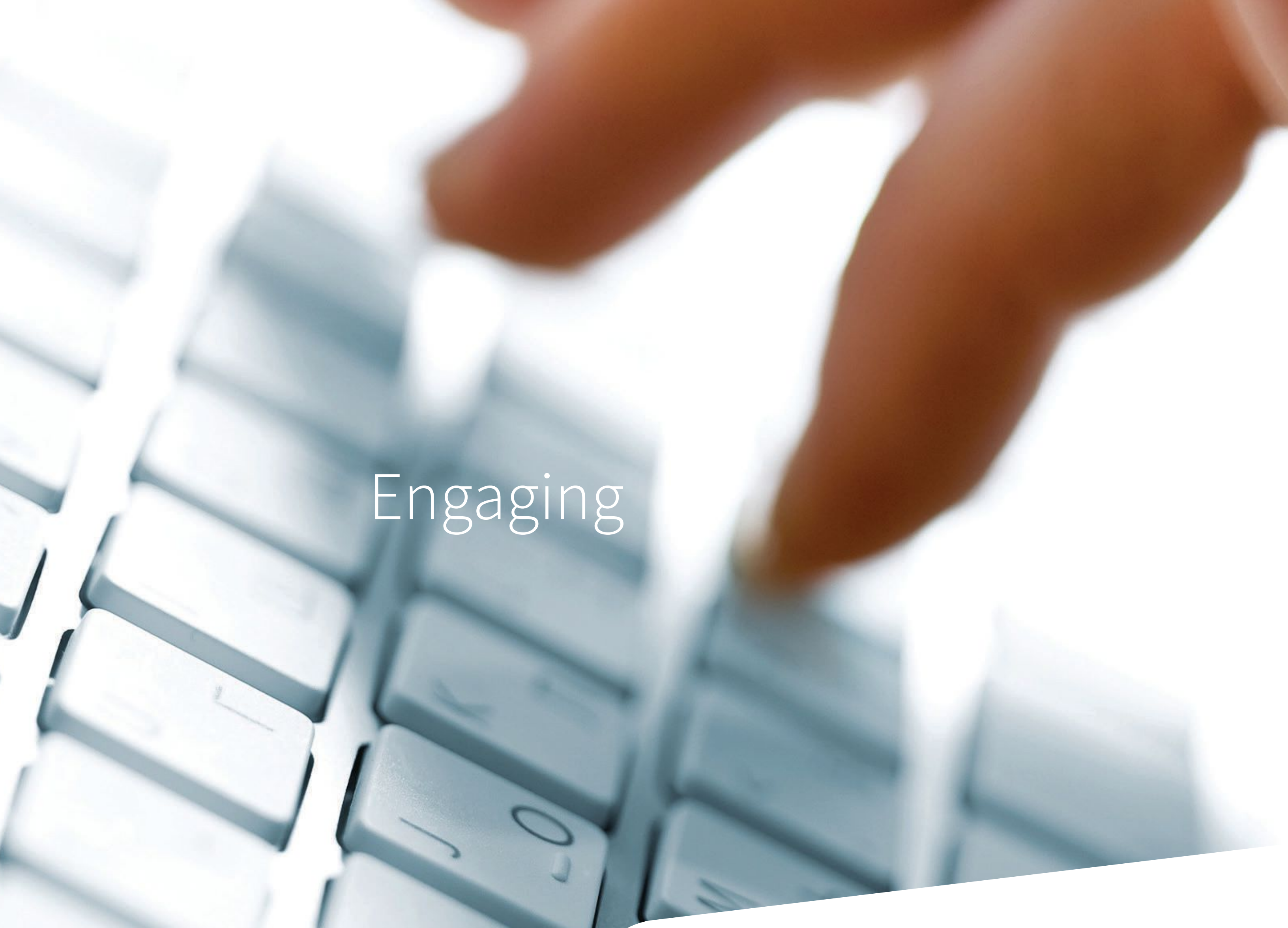
Read the full post and leave a comment at cues.org/092717skybox.

Recent Posts

"Transport Layer Security, or TLS, has been around since the early 1990s. Its first version … is vulnerable to many of the hacks and viruses we read about almost daily. Even worse, TLS 1.0 is still used in many browsers and a lot of financial system interfaces today."
Jim Trautwein, senior director for CUES Supplier member and strategic provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Ariz., in "Goodbye, 25-Year-Old Security Technology" on CUES Skybox: *cues.org/091117skybox*

"Done right, a comprehensive risk appetite statement sets the tone of both day-to-day and macro-level decision making. By translating risk metrics into business decisions, you can trust that your strategy, target setting and risk management are all aligned."
Ancin Cooley, principal of Synergy Bank Consulting (*syncuc.com*), Chicago, in "Setting the Menu" on CUES Skybox: *cues.org/091317skybox*

"This looks to become another instance … where a previously separate tool by a third-party provider becomes a part of the core phone platform … this will significantly impact the adoption of solutions like Venmo, Square Cash and the new Zelle platform, as consumers may think, 'Why do I need any of these services if it is integrated into my core phone functionality and available throughout my phone?'"
Tony DeSanctis, senior director/payments at CUES Supplier member and strategic provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Ariz., in "P2P Payments Part of New Apple iOS Release" on CUES Skybox: *cues.org/100217skybox*



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